

FOREIGN ASSISTANCE ACT OF 1973

HEARING
BEFORE THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE
NINETY-THIRD CONGRESS
FIRST SESSION
ON
S. 837
TO AMEND THE FOREIGN ASSISTANCE ACT OF 1961,
AND FOR OTHER PURPOSES

FEBRUARY 22, 1973



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FOREIGN ASSISTANCE ACT OF 1973

THURSDAY, FEBRUARY 22, 1973

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 4221, Dirksen Senate Office Building, Senator J. W. Fulbright (chairman) presiding.

Present: Senators Fulbright, Symington, McGovern, Aiken, Case, Javits, Scott, Pearson, Percy, and Griffin.

The CHAIRMAN. The committee will come to order.

OPENING STATEMENT

The purpose of this hearing is to consider S. 837, the President's request for authorization of appropriations for foreign assistance and military sales for the 1973 fiscal year.

(The text of S. 837 follows:)

[S. 837, 93d Cong., First Sess.]

A BILL To amend the Foreign Assistance Act of 1961, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 491 of chapter 9 of part I of the Foreign Assistance Act of 1961, relating to refugee relief assistance, is amended by striking out "1972" and inserting in lieu thereof "1973"; by striking out the figure "\$250,000,000" and inserting in lieu thereof "\$100,000,000"; and by striking out the words "East Pakistan" wherever they appear and inserting in lieu thereof "Bangladesh".

SEC. 2. Part I of the Foreign Assistance Act of 1961 is amended by adding at the end thereof the following new chapter:

"Chapter 10—PHILIPPINE DISASTER RELIEF

"SEC. 497. PHILIPPINE DISASTER RELIEF.—Notwithstanding the provisions of this or any other Act, the President is authorized to provide, on such terms and conditions as he may determine, relief, rehabilitation, and reconstruction assistance in connection with damage caused by floods in the Philippines during 1972. Of the funds provided to carry out part I, \$50,000,000 shall be available only to carry out this chapter. Such assistance shall be distributed, to the extent practicable, under the auspices of or by international institutions and relief agencies or United States voluntary agencies."

SEC. 3. Chapter 2 of part II of the Foreign Assistance Act of 1961, relating to military assistance, is amended as follows:

(a) In section 504(a), relating to authorization, strike out "\$500,000,000 for the fiscal year 1972" and insert in lieu thereof "\$780,000,000 for the fiscal year 1973".

(b) In section 506(a), relating to special authority, strike out "1972" each place it appears and insert in lieu thereof "1973".

(c) Section 514 is hereby repealed.

(1)

SEC. 4. Section 532 of chapter 4 of part II of the Foreign Assistance Act of 1961, relating to authorization for security supporting assistance, is amended by striking out "for the fiscal year 1972 not to exceed \$618,000,000, of which not less than \$50,000,000 shall be available solely for Israel" and inserting in lieu thereof "for the fiscal year 1973 not to exceed \$844,000,000".

SEC. 5. The Foreign Military Sales Act is amended as follows:

(a) In section 23 of chapter 3, relating to credit sales, strike out "ten" and insert in lieu thereof "twenty".

(b) In section 31(a) of chapter 3, relating to authorization, strike out "\$400,000,000 for the fiscal year 1972" and insert in lieu thereof "\$527,000,000 for the fiscal year 1973".

(c) In section 31(b) of chapter 3, relating to aggregate ceiling on foreign military sales credits, strike out "\$550,000,000 for the fiscal year 1972, of which amount not less than \$300,000,000 shall be made available to Israel only" and insert in lieu thereof "\$629,000,000 for the fiscal year 1973".

(d) In section 33(a) of chapter 3, relating to aggregate regional ceilings, strike out "\$100,000,000" and insert in lieu thereof "\$150,000,000".

(e) Section 33(c) of chapter 3, relating to aggregate regional ceilings, is amended to read as follows:

"(c) The President may waive the limitations of this section if he finds that overriding requirements of the national security of the United States justify such a waiver and promptly reports such finding to the Congress in writing, together with his reasons for such findings. In any case in which the limitations of this section are waived under the preceding sentence, the report required under such sentence shall set forth, in detail, the amounts of assistance, sales, credits, guarantees, and ship loans proposed to be made in excess of the geographical limitation applicable under this section."

SEC. 6. Section 8(b) of the Act of January 12, 1971, entitled "An Act to amend the Foreign Military Sales Act, and for other purposes" (84 Stat. 2053), is amended by striking out "\$185,000,000" and inserting in lieu thereof "\$245,000,000".

The CHAIRMAN. Last year, that is in calendar 1972, the Senate defeated one foreign aid authorization bill and a second died in conference because the Senate and House conferees were unable to reach agreement on a provision sponsored by Senator Case which required that foreign military base agreements be submitted as treaties. The entire foreign assistance program is now being funded through a continuing resolution which expires on February 28, although no additional authorizations of appropriations are needed for the economic aid programs, other than for Bangladesh.

The bill before the committee is basically the same as that proposed by the executive branch last year. It requests a total of \$2.1 billion for military grant aid, military credit sales and supporting assistance, and \$100 million for Bangladesh. Much of the money requested in this bill is for Southeast Asia. The committee will be interested in obtaining an explanation of how the aid programs for Indochina relate to the cease-fire agreement and the planning for postwar relief and reconstruction in that area.

The committee is pleased to have as witnesses this morning Curtis W. Tarr, Under Secretary of State for Security Assistance; the Honorable Robert H. Nooter, Assistant Administrator, Agency for International Development; and Vice Adm. Ray Peet, Director, Defense Security Assistance Agency, Department of Defense.

I wonder, gentlemen, if perhaps to make it easier, we could have the three of you appear at once and give your statements? I assume, Mr. Tarr, you wish to lead off. Is that correct?

STATEMENT OF HON. CURTIS W. TARR, UNDER SECRETARY OF
STATE FOR SECURITY ASSISTANCE; ACCOMPANIED BY ROBERT
N. NOOTER, ASSISTANT ADMINISTRATOR, AGENCY FOR INTER-
NATIONAL DEVELOPMENT, AND VICE ADM. RAY PEET, DIREC-
TOR, DEFENSE SECURITY ASSISTANCE AGENCY, DEPARTMENT
OF DEFENSE

Mr. TARR. Thank you, Mr. Chairman.

Senator Aiken, Senator Pearson, I appreciate the opportunity to appear to support the President's request for authorization of fiscal year 1973 security assistance funds. We meet at a time of relief that the agreement for ending the war in Vietnam has been signed. But it is also a time of anxiety that we will be able to preserve the peace in Southeast Asia. The security assistance legislation before us contains some of the elements to encourage that peace, and thus our discussion could hardly be more timely.

Under the continuing resolution authority (CRA), which ends February 28, we have of necessity operated with considerable restraint. The members of this committee will want to know the consequence of that restraint, and thus I wish to make brief remarks that might provide the basis for some of your questions. Mr. Nooter and Vice Admiral Peet have prepared statements that we wish to submit for the record.

The CHAIRMAN. They will be accepted.

MILITARY ASSISTANCE PROGRAMS

Mr. TARR. Military assistance programs: The President requested \$780 million to support the military assistance program (MAP) in fiscal year 1973. Under the CRA, we have operated thus far with new obligational authority of \$553 million. While this amount is greater than the \$500 million authorized last year for the military assistance program, Thailand has been shifted during the same time from military assistance service funded (MASF) to MAP. Furthermore, the level of expenditure in fiscal year 1972 was considerably lower than many people believed to be prudent.

The main casualties under continuing resolution authority funding having been the Korean 5-year modernization program and the assistance to Turkey as it seeks to replace outmoded World War II equipment for its NATO forces. Neither is a U.S. commitment, but we have worked closely with the leadership of each government on their improvement plans. These leaders, in turn, have made their budget plans on the assumption that our support would be forthcoming at the levels we have shown in our presentation last year. Without the authorization in fiscal year 1973 that we have requested for Korea, it will not be possible to complete their 5-year plan on the date we had set.

FOREIGN MILITARY SALES

Foreign military sales: Under the President's fiscal year 1973 program, we requested \$527 million in new funds for foreign military sales credits. The CRA has provided us with \$400 million. In a busi-

ness sense, we can easily reduce credit sales by telling our friends that we do not have funds available. This usually encourages the leaders of those nations to purchase military equipment provided by another nation, even though American equipment and the continuing relationship that comes with it would have been preferable.

Nevertheless, this restriction comes at a time when we would prefer to increase sales while at the same time reducing our military assistance grants. Our planning for the future assumes this transition. But we cannot follow these plans without the credit authorizations in the amounts requested.

SUPPORTING ASSISTANCE

Supporting assistance: As you gentlemen know, we provide supporting assistance to a small number of nations, with the largest amounts going to Southeast Asia, Israel, and Jordan. Since the program requirements in other countries are relatively fixed, the South Vietnamese effort is the one that must absorb the major reductions in funding.

The President asked for \$844 million in new supporting assistance authority for the current year. Under the continuing resolution authority we have been operating at the level of \$600 million, including \$50 million earmarked for Philippine disaster relief that was not included in the original request. In order to tailor our efforts to the lower level of expenditure, we eliminated several sound programs in Vietnam, including the development projects that now have even an increased importance following the cease-fire, and U.S. support for the land reform program that has encouraged a welcome fundamental economic restructuring.

Perhaps the greatest difficulty with the low level of funding for South Vietnam is that now we should take advantage of the opportunities that the cease-fire makes available to us. The need to resettle refugees in permanent circumstances is upon us. We should encourage reconstruction, particularly those projects that will help to insure economic growth. Our pipeline of commodity imports has contracted substantially, taking from us even that flexibility.

EXTENDED REPAYMENT PERIOD ON FOREIGN MILITARY SALES

Other advantages in authorizing bill: The President's legislation also contains three important procedural changes. The legislation before the committee would extend the repayment period on foreign military sales to a maximum of 20 years, as compared with the present 10-year period. We have no intention of extending payments longer than the life of the equipment for which credit has been granted. At the present time we do not feel compelled to apply even the 10-year maximum on all foreign military sales contracts. But for some loans, the 20-year maximum has justification, both in terms of the economic requirements placed upon the recipient nation and the life of the equipment involved in the transaction. In these circumstances, we would prefer to have the added flexibility.

ELIMINATION OF 10 PERCENT DEPOSIT REQUIREMENT

Next, the bill before you would eliminate the 10-percent deposit requirement for the military assistance program charges. This feature reduces the benefit of the program to the recipient government. To meet the cost, a government must allocate tax revenue for the deposit requirement and divert it from other essential programs. Some have suggested that the requirement causes the nation to scrutinize more closely the assistance it will accept from the United States; perhaps this is so in a few cases. But if it encourages a kind of frugality among a few, the major effect has been resentment among others. We believe our program would attain its ends more constructively if the deposit requirement were eliminated.

ELIMINATION OF RESTRICTIONS ON SALES TO LATIN AMERICA

Finally, we ask the members of this committee to agree to the elimination of restrictions on sales to Latin America. This paternalism no longer has a place in our relations with Latin American nations if in fact it ever had justification. Brazil has become the seventh most populated nation of the world, with a rapidly growing economy that someday will make it a foremost power. Many other nations in the region are moving ahead rapidly. Most Latin American leaders seek normal trade relations with the United States, and we should be in a position to reciprocate. This restriction makes it impossible for us fully to do so.

COMMITTEE SUPPORT REQUESTED

The security assistance program for fiscal year 1973 encourages progress and helps to maintain the delicate balance between security and development. The program reflects our attempt to lay the foundations for a negotiated settlement of the Arab-Israeli dispute. Not only Israel, but a number of Arab states as well, are dependent upon security assistance. In East Asia, our program provides the underpinning for South Korea's current dialog with the North for the purpose of normalizing future relations. In Indochina it facilitates the transition to peace.

Thus security assistance is a constructive, vital element of our foreign policy, transcending the simple question of transferring weapons. It can and must continue to lay the foundation for cooperation. It provides the link that we need to facilitate the transition between the past and the future. For these reasons, I request that the committee support the Administration in its request for authorization of fiscal year 1973 security assistance funds.

(The prepared statements referred to follow:)

STATEMENT OF HON. ROBERT H. NOOTER, ASSISTANT ADMINISTRATOR, BUREAU FOR SUPPORTING ASSISTANCE, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. Chairman and Members of the Committee, I am here today in support of S. 837, a Bill to amend the Foreign Assistance Act of 1961. This Bill would authorize \$844 million for Security Supporting Assistance, \$100 million for South Asia Relief and Rehabilitation Assistance, and authority to use up to \$50 million from any of the Part I economic assistance categories for Philippines Relief Assistance. Except for the requested authority for Philippines Relief Assistance, the other requests are the same as those presented to this Committee by Dr. Hannah on April 17, 1972. All other programs administered by A.I.D. were authorized for both FY 1972 and 1973 and are therefore not included in this Bill.

I am here to answer any questions which you may have on Security Supporting Assistance, and other appropriate witnesses are available to respond to your questions on other portions of the request.

The Security Supporting Assistance request made at this time is essentially for the same purposes as requested last April. A break-down of this request by country is attached, and a more detailed program description for each country is contained in the Security Assistance Program Presentation book for FY 1973.

Over three-fourths of the Security Supporting Assistance request of \$844 million is for Indochina. These funds are intended to provide the economic assistance which South Vietnam, Cambodia, and Laos need to sustain their economies, to provide refugee assistance to the large number of displaced and needy people there, and to continue sufficient economic assistance to start the transition toward economic self-sufficiency.

The present Continuing Resolution level of \$600 million for Security Supporting Assistance does not provide sufficient funds to carry out these objectives. At this low level, we have had to cut back funding for the Vietnam program very sharply. We have not been able to proceed with U.S. support for a number of economic development projects which hold the hope of getting the South Vietnamese economy back on its feet so that it will not require outside assistance in the future. We have not been able to make the final \$15 million U.S. contribution in support of the sweeping land reform program begun by South Vietnam three years ago. We have had to make cutbacks across the board in ongoing technical assistance programs in agriculture, education, public health and public works, as well as in programs aimed at maintaining the country's economic stability such as the Commodity Import Program. We have had to suspend entirely any funding for an Economic Support Fund which was intended to offset the sharp decline in U.S. military spending in Vietnam.

We should proceed with our contribution to land reform, which is the most significant social reform carried out by the Government of South Vietnam. Since its inception in March 1970 this program has moved forward well despite the great difficulties posed by the war. By the third anniversary next month, we expect that all titles covering the planned area of 2.5 million acres will be processed, and that at least 90 percent will be in the hands of the new owners. We indicated to the Government of South Vietnam, when it planned to launch this program, that, pending approval by the Congress, we would provide \$40 million to help offset the economic costs of the program. We have provided \$25 million to date and should go forward with the final \$15 million now.

We have also faced major new refugee requirements during this fiscal year in excess of original estimates. Prior to the North Vietnamese offensive of last year, many more refugees were being resettled than were being generated by the war. The caseload of those receiving refugee and resettlement benefits was down from a high of over 3 million in 1968 to less than 500,000 in March, 1972. The North Vietnamese offensive, which began after our request was made to the Congress last spring generated well over one million South Vietnamese refugees who were forced to flee their homes. Despite these added burdens, the South Vietnamese Government did an excellent job of caring for the additional refugees. Stocks of food and other relief supplies were available and in position, temporary camps were organized rapidly, and medical supplies were made available. There were some problems, but on the whole the South Vietnamese Government did an outstanding job of providing emergency relief for these people.

As of now we have provided an additional \$30 million out of Supporting Assistance for refugee relief. We have accommodated these additional refugee costs within the Continuing Resolution level in view of the high priority which we give to this portion of our program, but it is not possible to continue to do an adequate job, particularly for refugee resettlement, without additional funds.

I would like to point out that the Government of South Vietnam has moved with some vigor on financial and economic reforms. A greater stress has been placed on domestic tax collection and more taxes have been collected. In the mid-1960's much reliance was placed on administrative controls to manage the economy. In recent years, the Government has come to rely more heavily on market forces, which work much better. Interest rates have been increased and the exchange rate changed from one artificially pegged at a low level to one adjusted periodically to reflect realities of the market. These changes provide Vietnam with sound fiscal and monetary policies for the future, and will facilitate the transition to economic self-sufficiency.

We have not found it operationally possible to make significant reductions in programs outside of Vietnam. Our request for Cambodia, \$75 million, is needed to provide the most urgent import requirements for food, fertilizer, petroleum products, spare parts and other necessities. We cannot reduce the \$50 million level for Laos much if we are to meet refugee needs and help support the country's economy. We attach considerable importance to providing adequate levels of economic support to Israel and Jordan, which offer the best prospects for assuring stability and peace in the Middle East.

EFFECT OF THE CEASE-FIRE ON SUPPORTING ASSISTANCE REQUIREMENTS FOR FY 1973

It has long been our objective to encourage economic stability in Vietnam in a way which will permit an orderly reduction in U.S. assistance to that country. The cease-fire agreement signed on January 27, 1973 should accelerate that process considerably over the coming years. In the short run, however, the cease-fire will, if anything, increase the requirements for economic assistance. This will be particularly true because of the additional requirements for refugee resettlement programs, and the need to undertake the reconstruction of damaged bridges, hospitals, schools, and health clinics. We believe that these costs can be accommodated within the \$844 million request during the remainder of this fiscal year, but not at the \$600 million Continuing Resolution level.

There are some who advocate that U.S. economic assistance to Vietnam be channeled almost exclusively to refugee aid. We agree that refugee assistance should be given priority over other programs, but it is not realistic to think that generous assistance to refugees alone can be effective at the same time that the general economy is collapsing for lack of support. Our assistance to Indochina must be a balanced program if it is to be effective, and for this reason we strongly urge that this Committee oppose the earmarking of funds for particular portions of the program, even for something as worthwhile as refugee support.

At some later date we will present to you a request specifically aimed at the problems of rehabilitation and reconstruction in Indochina, probably within the context of the FY 1974 budget. This will be done on the basis of consultation both with the Congress and with other donor countries and institutions. In the meantime, however, the substantial progress toward peace which has been made in Indochina depends upon being able to sustain the economies of Vietnam, Cambodia, and Laos until such time as peace is fully restored and reconstruction can become a reality.

The cost of economic assistance to Indochina is a substantial amount, but it is only a fraction of the cost of war. Our military forces are withdrawing; it is essential that we continue the economic support which these countries need in order to survive.

BANGLADESH

The authorization request for Bangladesh is \$100 million, compared to \$250 million authorized for FY 1972. This \$100 million is contained in the Continuing Resolution as a separate line item.

We have provided the Committee this week with a detailed statement of our relief and rehabilitation program for Bangladesh. In summary, we are assisting the relief activities of U.S. voluntary agencies, providing the U.S. contribution to the U.N. Relief Operation in Dacca, and providing bilateral grants for relief supplies and to assist in rehabilitation projects. The U.N. agency, the largest relief organization in Bangladesh, supports the relief and rehabilitation effort of the Bangladesh Government, marshals worldwide contributions and coordinates the many activities of voluntary agencies.

At the level of \$100 million which we have requested in FY 1973, the U.S. contribution to relief and rehabilitation in Bangladesh is about one-third of the total from all sources. Other donors have been forthcoming in their contributions, and we believe that the essential tasks of relief and rehabilitation can be completed with FY 1973 funding.

PHILIPPINES DISASTER RELIEF

The Philippines was struck by massive floods late last summer. The devastation and disruption have been great throughout the countryside and in the cities as well. The United States has responded quickly, first with emergency

relief assistance, then with funds to help in reconstruction. By the end of this month about \$45 million of the \$50 million provided under the Continuing Resolution will have been put to use.

The United States is assisting the Philippine Government in rebuilding rural roads and irrigation works, and in providing fertilizer and insecticides much needed for greater rice yields in the affected areas. Schools destroyed are being rebuilt to higher standards which will resist such disasters in the future. We also are assisting in flood control works necessary to help prevent further catastrophes of this sort in the future. We have recently provided the Committee with a more detailed statement on this program.

The Philippine disaster struck after the FY 1973 authorization request was submitted to the Congress. Disasters of this kind deserve our support, and should take priority over other programs which may be equally important but less urgent. The Congress, in the Continuing Resolution, earmarked \$50 million for Philippines Relief Assistance to be drawn exclusively from Security Supporting Assistance, which is already greatly reduced and must meet the needs of large numbers of refugees in Indochina. As an alternative, we are requesting authority to fund the Philippines Relief Assistance from any of the categories of Part I of the Foreign Assistance Act so that it can be drawn from whatever programs can most easily be delayed.

Supporting assistance—Summary: Request for fiscal year 1973 as contained in the security assistance program presentation book

	<i>Millions</i>
Vietnam -----	\$585.0
Cambodia -----	75.0
Laos -----	49.8
Thailand -----	25.6
Israel -----	50.0
Jordan -----	40.0
East Asia regional -----	8.4
Malta -----	9.5
Spain -----	3.0
Interregional -----	23.4
UNFICYP -----	4.8
Total program -----	874.5
Less anticipated deobligations from prior years -----	30.5
New obligational authority -----	844.0

STATEMENT OF VICE ADM. RAY PEEB, USN, DEPUTY ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS) FOR SECURITY ASSISTANCE, AND DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY

Mr. Chairman and Members of the Committee, I take this opportunity to present to you a brief report on management of the Military Assistance Program and Foreign Military Sales under the Continuing Resolution Authority (CRA). We have been working under some unusual constraints and have had to employ some innovative measures to deal with them. As you will see, however, we have not been able to find acceptable solutions to all of the problems.

The major constraint has been a reduction in the size of the grant aid program from the Administration's request for \$780 million new obligational authority (NOA) to the continuing resolution authority (CRA) level of \$553.1 million. This thirty percent reduction has necessarily altered the scope of the Security Assistance Program.

In the Military Assistance Program there are some expenses that cannot be deferred if the program is to continue. Annual contracts must be funded fully at the beginning of the year. We must pay current bills for moving the pipeline generated by prior year programs and these bills do not occur at a level rate. Funds must be obligated early in the year if students are to be selected and moved to training facilities in the United States. In some cases equipment must be ordered at a fixed time to meet delivery commitments or to preclude production breaks that would result in substantial price increases. In other cases,

ongoing projects in the field must be funded for the same reasons. By using available CRA funds to meet these priority needs we had to defer funding of operations and maintenance requirements.

At this point in time we have managed to avoid significant disruption in the program. In many cases, however, foreign countries have exhausted stocks on hand and their abilities to find other resources. Simply to keep the program moving we foresee valid requirements of about \$68 million now. Some of these require immediate attention and, short of obtaining additional funding, we see no way at this time of alleviating the situation. For example, we have not yet been able to fund some resupply requirements for Cambodia, M-60 tanks and UH-1 helicopters for Jordan, and several other significant needs such as construction equipment for Nicaragua, ship overhaul for Indonesia, and maintenance needs for several countries. In the next few weeks we should fund T-37, F-100 and F-5E aircraft and, of course, additional operation and maintenance needs. I would like at this point to submit for the record a detailed accounting of our planned programs and the status of their funding to date. (Attachment A).

Funding of FMS credit has not caused serious problems. We have not been able, however, in some cases to proceed with planned transactions at the time that would have been advantageous to both the United States and the foreign country. I would like at this point to insert for the record a statement of credit transactions concluded to date. (Attachment B).

FY 1972 Foreign Military Sales totaled \$3.4 billion. During the first six months in FY 1973 Foreign Military Sales and Credits totaled \$2.4 billion. Of this amount approximately \$2.1 billion were cash sales with \$319.3 million of credit (equivalent to \$228.3 million NOA) being concluded under Continuing Resolution Authority. Major FMS transactions concluded to date in FY 1973 include the sale to Iran of P-3 and F-5E aircraft, Improved Hawk, helicopters and 707 aerial refuelers; Republic of China of F-5B and F-5E aircraft; and Turkey of F-4 aircraft.

Finally, I would like to insert for the record (Attachment C) brief reports on performance to date in this fiscal year in the transfer of ships and excess defense articles to foreign countries. We are continuing to emphasize the sale of ships instead of leases and loans, and the role of excess defense articles in lieu of grant aid. By selling, the United States recovers in dollars the fair value of the material which ranges from 5% to 50% of acquisition cost depending on condition. To the foreign country, this is a relatively inexpensive and simple step in the transition from grant aid to sales. Limited experience to date indicates that the foreign country is much more careful and selective in accepting excess equipments when it must pay for them.

Mr. Chairman, gentlemen, that concludes my prepared statement. I welcome any questions you may have.

(Attachments referred to follow :)

ATTACHMENT A

FISCAL YEAR 1973 MILITARY ASSISTANCE PROGRAM—GRANT AID

[Dollars in thousands]

	Program in CPD	Funded to date		Program in CPD	Funded to date
East Asia and Pacific:			TRAINING ONLY		
Cambodia.....	\$209,541	\$99,034	East Asia and Pacific: Malaysia.....	181	178
Taiwan.....	7,642	12,171	Near East and South Asia:		
Indonesia.....	28,745	12,757	Afghanistan.....	215	205
Korea.....	215,710	115,025	India.....	234	133
Philippines.....	20,780	19,955	Lebanon.....	230	166
Thailand.....	59,954	39,153	Nepal.....	29	26
Far East region.....	375	267	Pakistan.....	243	282
Near East and South Asia:			Saudi Arabia.....	484	231
Greece.....	9,554	1,144	Sri Lanka.....	15	53
Jordan.....	42,746	15,410	Europe:		
Turkey.....	88,611	45,031	Austria.....	24	18
NESA region.....	591	99	Finland.....	24	20
Europe:			Africa:		
Portugal.....	905	869	Ghana.....	55	49
Spain.....	9,261	8,680	Mali.....	50	26
European region.....	85	99	Morocco.....	956	295
Africa:			Senegal.....	25	17
Ethiopia.....	12,139	7,233	Zaire.....	455	261
Liberia.....	499	117	Latin America:		
Tunisia.....	3,703	1,272	Argentina.....	550	555
Africa region.....	93	62	Brazil.....	988	669
Latin America:			Colombia.....	778	722
Bolivia.....	4,873	3,006	Mexico.....	87	85
Chile.....	1,114	919	Peru.....	820	783
Dominican Republic.....	1,435	586	Venezuela.....	870	866
Ecuador.....	1,000	0	Total.....	7,313	5,640
El Salvador.....	805	464	World-wide total program.....	819,700	439,980
Guatemala.....	1,736	711	NOA.....	780,000	413,000
Honduras.....	734	537			
Nicaragua.....	1,045	669			
Panama.....	527	379			
Paraguay.....	791	243			
Uruguay.....	1,460	601			
Latin America region.....	687	314			
General costs.....	85,246	63,533			
Total.....	812,387	434,340			

ATTACHMENT B

FISCAL YEAR 1973 FOREIGN MILITARY SALES CREDIT

[Dollars in thousands]

	Program in CPD	Obligated to date		Program in CPD	Obligated to date
East Asia and Pacific:			Latin America:		
Taiwan.....	\$55,000	\$13,700	Argentina.....	15,000	-----
Korea.....	25,000	15,000	Bolivia.....	4,000	-----
Malaysia.....	-----	10,000	Brazil.....	15,000	-----
Far East Region.....	12,500	-----	Chile.....	5,000	-----
Near East and South Asia:			Colombia.....	10,000	-----
Greece.....	55,000	140,750	Guatemala.....	2,000	-----
Israel.....	300,000	126,250	Mexico.....	2,000	-----
Jordan.....	10,000	-----	Peru.....	5,000	-----
Lebanon.....	15,000	-----	Uruguay.....	2,000	-----
Saudi Arabia.....	45,000	-----	Venezuela.....	15,000	-----
Turkey.....	15,000	20,000	Total.....	629,000	228,300
NESA region.....	3,000	-----			
Africa:					
Morocco.....	15,000	-----			
Zaire.....	3,500	-----			

¹ Includes \$5,750 for a guaranty of \$23,000 private credit.
² Includes \$26,250 for a guaranty of \$100,000 private credit.

ATTACHMENT C

FISCAL YEAR 1973 SHIP TRANSFERS BY LOAN OR LEASE

Country and number	Ship	Method of transfer	Country and number	Ship	Method of transfer
China: 1	AOG-7	Lease	Chile: 1	ADG-8	Do
Turkey: 1	DD-709	Loan ¹	Korea: 1	DD-805	Loan ¹
1	SS-340	Do ¹	1	DD-830	Do ¹
1	SS-410	Do ¹	Italy: 1	LST-1171	Lease
1	ATF-75	Lease	1	LST-1175	Do
1	APL-47	Do	1	SS-524	Loan ¹
Greece: 1	ADG-11	Do	1	SS-490	Do ¹
1	YTM-767	Do	Uruguay: 2	LCM-6	Lease
Brazil: 1	LST-1174	Do	Iceland: 1	Hydro sound boat	Do
Philippines: 1	MSD-436	Do	Spain: 1	DD-882	Loan ¹
1	MSD-444	Do	1	DD-711	Do ¹
1	LST-222	Do	1	SS-382	Do ¹
1	LST-488	Do	1	SS-385	Do ¹
1	LST-546	Do	Mexico: 1	AFDL-28	Lease
			Dom. Republic: 1	ATF-72	Do

¹ Public Law 92-270.

FISCAL YEAR 1973 SHIP SALES

Country and number	Ship	Unit price (thousands)	Country and number	Ship	Unit price (thousands)
A. Ships transferred by sale:			B. Ships sold that were on loan or lease:		
Chile: 1	LST 277	\$75.0	Spain	AVT-3 (ex-CVL)/	500.0
China: 1	DD-731	153.0		DD-550	153.0
1	DD-764	229.5		DD-551	153.0
Turkey: 1	DD-765	229.5		DD-509	153.0
1	SS-421	153.0		DD-799	153.0
Greece: 1	DD-888	229.5		DD-678	153.0
1	SS-365	153.0	Chile	SS-414	55.0
Brazil: 1	DD-596	153.0	Brazil	SS-381	55.0
1	SS-484	153.0		DD-794	76.5
1	SS-350	153.0		DD-675	76.5
1	DD-705	229.5	Turkey	DD-656	153.0
Argentina: 1	DD-702	229.5		DD-861	153.0
1	DD-704	229.5		DD-872	153.0
1	DD-877	229.5		DD-668	153.0
Colombia: 1	DD-775	229.5		DD-709	153.0
1	DE-1029	122.4		SS-320	112.2
Venezuela: 1	DD-756	229.5		ASR 10	51.0
Uruguay: 1	DE-1006	122.4			
Mexico: 20	MSF	28.0			
Indonesia: 1	DE-1034	145.0			

Note: Total number of ships sold during fiscal year 1973: 57; total sales proceeds during fiscal year 1973: \$6,500,000; percent of ships transferred by sale during fiscal year 1973: 66; percent of ships transferred by sale during fiscal year 1972: 33%.

ATTACHMENT C—Continued

Fiscal year 1973 allocations of excess defense articles of
February 20, 1973

[Million dollars at acquisition cost]

Country	Allocated ¹
Cambodia	18.7
China (Taiwan)	28.8
Indonesia	.4
Korea	3.0
Laos	3.2
Philippines	1.9
Thailand	9.9
Vietnam	33.2
Greece	7.8
Jordan	4.6
Turkey	52.1
Spain	1.6
Ethiopia	.9
Tunisia	(²)
Total	³ 166.1

¹ Allocations constitute authorizations to deliver specific major items, some of which may not occur due to subsequent changes in availability. In addition to the total shown, the military departments have been authorized to deliver up to a value of \$60 million in secondary items (acquisition cost) on the basis of requisitions received from the field.

² Less than \$50,000.

³ Total may not add due to rounding.

The CHAIRMAN. Thank you, Mr. Tarr.

OBJECTIVE OF MILITARY ASSISTANCE PROGRAM

I wonder if you could summarize for the committee how you see the objective of this military assistance program. What is it the United States seeks to achieve by it?

Mr. TARR. Mr. Chairman, I think that the U.S. Government recognizes that there are valid requirements among friendly nations all over the world to provide for their own defense security requirements. Many of these nations are not in a position economically to meet those requirements, and so—

The CHAIRMAN. Who determines their requirements? Do you determine them? Do we determine them?

Mr. TARR. The fundamental determination of requirements for defense must be made by the leadership of each nation. The degree to which we are prepared to help is a function not only of our appraisal of the validity of those requirements but also is a function of our ability actually to take part in terms of the amount of funds we have available.

The CHAIRMAN. It is difficult for me to follow what you consider to be the basic justification for the military aid program. Is it to assist our own manufacturers? Is that the primary purpose?

Mr. TARR. Mr. Chairman, the primary purpose is not a means by which we can keep our factories running or a means by which we can emphasize the sales of American manufacturers. We all recognize that this is a byproduct of the effort.

The fundamental purpose of the program, rather, is to assist foreign countries to provide for their own security.

The CHAIRMAN. Their security against whom? I mean who is threatening all these countries that we are helping?

Mr. TARR. Well, Mr. Chairman, it is not possible to make a sweeping generalization.

The CHAIRMAN. You made a sweeping one. This is very sweeping. Is it our responsibility to provide security for all the countries in the world or all those to whom we give aid?

Mr. TARR. Mr. Chairman, it is my feeling that it can be very important for us to help other nations provide for their own security in a part of the world where we have interests that are involved.

For instance, in 1950 no real care was given to the preparation of South Korea for the withdrawal of U.S. forces. We all know the consequences of that.

The CHAIRMAN. Mr. Tarr, there have been a lot of changes since 1950. I was talking about the justification today. I know you shy away from saying that we are restraining communism. Your predecessors used to say we were restraining communism, we were protecting the free world from enslavement by Communists.

I am trying to see what is the new rationale. That used to be said to be the reason. That was the reason we got involved in Vietnam originally. It was aid to protect them from communism.

PURPOSE OF CONTINUING MILITARY ASSISTANCE PROGRAM

That was the purpose of SEATO. I am trying to bring it up to date. I am not trying to bedevil you. I thought maybe you had some new rationale that you could give the committee that this is what our objective is in going all around the world and spreading arms and aid. What is the objective? I was trying to get you to express the administration's new rationale in view of the President's changed attitude toward Russia and China. Maybe it is out of order, but I was trying to lead you along to see if you could tell us clearly what we are up to. What is our purpose in continuing a program which—as you refer back to 1950. But this isn't 1950; it is 1973.

Mr. TARR. Mr. Chairman, let's use the same nation in 1973. The purpose of our aid to South Korea right now is to help them maintain adequate strength against a possible encroachment by the people in the North.

The CHAIRMAN. Is it probable or possible? Did you use possible intentionally or is it probable?

Mr. TARR. It is possible.

The CHAIRMAN. Anything is possible.

Mr. TARR. To the degree to which it is probable, I would rather not speculate. But I do feel that the strength of South Korea now puts that government in a position whereby it can negotiate with the North with the hope eventually of bringing about normal relations between the two. We both have read statements where each side hopes eventually that the two halves of that nation might someday be unified. We think that it is important to our interests in the Far East that this normalization, in fact, take place. We think that normalization cannot take place unless certain fundamental security needs are met in South Korea. Our program there is aimed at these purposes.

PATERNALISM OF RESTRICTION ON SALES TO LATIN AMERICA QUESTIONED

The CHAIRMAN. I have one or two other questions. You state that restriction on sales to Latin America is apparently paternalism. How do you arrive at that conclusion? Why is a restriction on what arms we sell paternalism?

Mr. TARR. Because, Mr. Chairman, we are saying to nations in Latin America that if they want to buy and they have the credit potential to pay back the loan or they have the cash in hand actually to buy, we are judging they cannot do so. Such judgment, I am saying, is paternalism.

The CHAIRMAN. I was thinking it isn't our business to promote armament races. I mean that is our policy, I thought. It has nothing to do with paternalism, in my view, to say I don't want to go around spreading arms all over the world, as we did in Pakistan and as we have done in the Middle East. I don't see it as paternalism.

10-PERCENT DEPOSIT

I might say that the 10-percent deposit was not intended to be beneficial to the recipient. It was intended to be a slight benefit to the United States because it was intended to use that much funds for our local expenses. You misunderstood our purpose, I think. We didn't put it in in order to benefit the recipient country.

Mr. TARR. Mr. Chairman, regardless of what the intention was for putting it in, the effect is a hardship on the recipient country.

The CHAIRMAN. At one time, I think, we had 50 percent. The Senate approved 50 percent.

One other before I pass you on to my colleagues. I know they want to ask you some questions.

CONDITION OF FEDERAL BUDGET

Are you aware of the condition in our Federal budget? Do you know what the deficit in our Federal budget was last year?

Mr. TARR. Mr. Chairman, I am familiar with it.

The CHAIRMAN. What was it?

Mr. TARR. I will take the advice of the chairman if he wants to state an actual figure.

The CHAIRMAN. I didn't know whether these facts that we were in deficit condition ever filter into the State Department [Laughter] because these statements give the impression that you are utterly unaware of the condition of either our balance of payments, balance of trade or domestic budget. I thought maybe you would know.

Mr. TARR. Mr. Chairman—

The CHAIRMAN. It is more important that you know than I know, but if you don't know that is all right. I suspected you didn't because it gives the impression that our budget is quite irrelevant in the view of the members of the bureaucracy as to whether these programs should proceed. This is one reason I asked you the objective of the program.

Mr. TARR. Mr. Chairman—

The CHAIRMAN. I didn't find your answer very persuasive, in all deference to you, that this is an overwhelmingly important objective that we are seeking to achieve.

Mr. TARR. Mr. Chairman, if the Federal budget was in arrears something on the order of \$20 billion last year, it seems to me that the logic suggested is that no one would ask for any budget this year. I think that—

The CHAIRMAN. No, no; the logic is we have to be more careful and discriminating where we spend more money. Isn't that the logic of it?

Mr. TARR. Yes, Mr. Chairman. But, Mr. Chairman, what I think you have every right to expect from me is that I represent to you as honestly as I can what the valid needs are. Now I recognize that there are requirements placed upon Congress, and there are requirements placed upon the President to give oversight, and to make a structure of priorities with reference to what programs are valid and what programs are not and the degree to which some must be cut. But I am simply trying to bring to your attention what I think the valid requirements are for this program, and importune you in the best way I can in that light.

PRIORITY OF PROGRAM

The CHAIRMAN. You are not saying then that this should be funded even though there is not enough money for the domestic programs or the Farmers Home Administration or the Urban Renewal. You are not trying to tell us that this is a higher priority than any of those; are you?

Mr. TARR. I can't set an order of priority for all Federal spending.

The CHAIRMAN. What you are saying is if we have plenty of money this is a nice thing to do; is that right?

Mr. TARR. No, I am saying irrespective of the money we have to spend I think this is an essential program.

The CHAIRMAN. Does that mean you think it should have priority over the domestic programs? Is that what you are saying?

Mr. TARR. I think it should have priority in your consideration.

CONSIDERATION OF DEFICIT, TRADE BALANCE AND DOLLAR DEVALUATIONS SUGGESTED

The CHAIRMAN. Do you have any idea of about how much we have spent on military affairs since World War II, just in the general range?

Mr. TARR. I think on total aid programs of all kinds it is about \$100 billion; isn't it?

The CHAIRMAN. No, the total military expenditures of this country for our own services and others.

Mr. TARR. No.

The CHAIRMAN. I don't want to press you on that. In round numbers what we have spent on military affairs is about \$1,500 billion and we have accumulated in the last 4 years about a hundred billion dollars additional deficit. Last year was the second deficit in our trading balance since the turn of the century and much the largest. It was nearly \$7 billion last year and, as you know, we have devalued the dollar twice in 15 months.

Don't you think these are things that should be taken into consideration in this kind of a program?

Mr. TARR. Of course, they should.

The CHAIRMAN. That is all I wanted to know.

Senator Aiken, do you have any questions?

CONTINUED USE OF TERM "SUPPORTING ASSISTANCE" QUESTIONED

Senator AIKEN. I know you refer to supporting assistance. Is it necessary to continue that term "supporting assistance" which has been more or less a catchall in the AID program? Why don't we specify directly the purposes that we appropriate for instead of leaving it so open? Are you insistent on calling it supporting assistance?

Mr. TARR. Senator Aiken, we are more concerned about the purposes for which the money is spent than we are the title under which they come to you, and I think in changing times it might be that another title would be more appropriate.

Senator AIKEN. I think so.

Mr. TARR. The purposes though that are represented in this budget, we think, are valid and essential in this transition period.

Senator AIKEN. I would say on the economic assistance you call that technical assistance and get away from that catch-all phrase of supporting assistance.

PAYMENT FOR IRANIAN PURCHASES

In regard to the purchases which Iran is making in this country of \$2 billion, as reported I believe in the papers, do they pay cash for that? That is strictly a private deal. Does the United States or any of our agencies underwrite the payment in any way?

Mr. TARR. Senator, they pay cash for the equipment. Most of this cash comes from their treasury; some is represented by borrowing.

Senator AIKEN. They borrow the money?

Mr. TARR. Yes.

Senator AIKEN. From our banks, Swiss banks, anywhere they can borrow it the cheapest. But we don't underwrite it.

Mr. TARR. We do not underwrite it under our foreign military sales program, no.

Senator AIKEN. Any other? What about OPIC, for instance? Do they underwrite any?

Admiral PEET. We don't underwrite any of the loans so far as Iran is concerned. It is handled through the Export-Import Bank or straight cash.

NO MILITARY ASSISTANCE TO BANGLADESH, INDIA, OR PAKISTAN

Senator AIKEN. We don't give any military assistance to Bangladesh; do we?

Mr. TARR. No.

Senator AIKEN. And none to India or Pakistan at this time?

Mr. TARR. As you know, Senator, we have had an embargo in those areas.

Senator AIKEN. Yes.

AID SOUGHT BY ISRAEL

One of the Washington papers recently printed a story to the effect that Israel is seeking a promise of \$515 million of U.S. aid for this coming year; is that correct?

Mr. TARR. Well, we are not certain of the amount but a gentleman representing the Government of Israel recently visited with us and

talked in preliminary terms about their needs, and the visits early next month of other officials from that Government certainly will focus on this question more precisely.

CONGRESSIONAL ACTION ON AID PROMISED BY EXECUTIVE

Senator AIKEN. If the Executive does make a promise to Israel, or any other country as far as that goes, running up into the hundreds of millions of dollars, would that be subject to congressional action?

Mr. TARR. I think it is quite clear that it is subject to appropriation.

Senator AIKEN. In this legislation or what?

Mr. TARR. Excuse me?

Senator AIKEN. Would it be included in the military assistance bill or do you know?

Mr. TARR. Well, I think the article in the paper the other day would indicate a request for assistance from a variety of sources.

Senator AIKEN. Yes.

Mr. TARR. My recollection is that the largest portion of that assistance would come from the Foreign Assistance Act. Most of it is under foreign military sales, but some of it would come under supporting assistance. It would all come out of fiscal year 1974 authorizations, and so it would involve our request to you if we went along with their requests in any amount, in the legislation that we will bring up for fiscal year 1974.

FUNDS FOR KEY WEST, FLA., NAVAL TRAINING CENTER

Senator AIKEN. Probably my last question could be better directed to Admiral Peet, but we do have naval training and other training for military personnel covering Latin American countries. Last year several Members of Congress proposed funds be taken from military assistance to finance the naval training facility at Key West, Fla. Is this an administration idea?

Admiral PEET. I think you are referring, Senator, to the \$2.5 million that is earmarked for a training unit in Florida.

Senator AIKEN. Yes.

Admiral PEET. Key West, Fla. Those funds have not been released and there are no plans right now to go ahead with that project.

Senator AIKEN. I wondered if that shouldn't be considered more aid to Florida than aid to Peru and Venezuela.

The CHAIRMAN. Sure.

Senator AIKEN. I will pose that question for my chairman's consideration. There is certainly no naval training in Arkansas; is there?

The CHAIRMAN. No, not at all.

Senator AIKEN. Not at all. I think that is all I have now.

The CHAIRMAN. Senator Symington.

Senator SYMINGTON. Thank you, Mr. Chairman.

NO ADDITIONAL REQUESTS BASED ON FURTHER DOLLAR DEVALUATION

Mr. Secretary, we have now devalued the dollar twice in 15 months; and there are rumors already it is going to be further devalued. Gold went to its highest level in history today, \$83 an ounce. Not too long

ago we were buying it and selling it at \$36 an ounce. If you succeed in obtaining this money would you request an additional amount based on further devaluation?

Mr. TARR. Senator Symington, it would not affect our operations in fiscal year 1973.

Senator SYMINGTON. So you would not ask for additional money.

Mr. TARR. No, sir.

Senator SYMINGTON. Thank you.

ADDITIONAL CLASSIFICATION OF REQUESTED INFORMATION

In preparation for consideration of this bill, the staff of this committee requested information from the Departments of State and Defense. When it came, a considerable amount of information was classified that was not classified last year. For example, the latest estimate for Government cash and commercial military sales is classified confidential, although the same data in last year's presentation book is unclassified. Inasmuch as the new figure is considerably higher and some of us are becoming increasingly apprehensive about the billions of dollars we continue to ship out of this country to sustain the various foreign programs, why is there this classification, additional classification, from the people?

The country-by-country list of distribution of excess arms is also now classified confidential. But last year only two countries, both in the Middle East were so classified. Why is there this change in policy?

Admiral PEET. If I might answer that, Senator, in my prepared statement to be inserted in the record, I have listed the allocation of excess defense articles for fiscal year 1973 in an unclassified chart.

Senator SYMINGTON. So now we can consider it as declassified even though in preparation for the hearing the staff was told it was classified?

Admiral PEET. Right. The actual expenditures to date so far as the sales programs are concerned, are unclassified and also our estimate for the year is unclassified.

CURRENT AMOUNT OF MASF PROGRAM

Senator SYMINGTON. Admiral, I would ask you or the Secretary, what is the amount of the military assistance funds program for the current fiscal year?

Admiral PEET. For military assistance program, the total amount—

Senator SYMINGTON. MASF, military assistance service funded.

Admiral PEET. The MASF program is not my responsibility but we could provide the data for the record.

Senator SYMINGTON. Do you know, Mr. Secretary?

Admiral PEET. Although I am not involved in MASF funding, the total that was just handed to me is \$2.73 billion for fiscal year 1973.

Senator SYMINGTON. That is what you plan for the fiscal year 1974?

Admiral PEET. The fiscal year 1974 total budget authority in the budget is \$1.871 billion. However, it is a new ball game as far as recent events are concerned and I am sure that will be reconsidered.

Senator SYMINGTON. Do you think it will be less or more?

Admiral PEET. So far as I know, it would be less.

Senator SYMINGTON. Thank you.

If our military assistance to South Vietnam and Laos is to be restricted to replacement on a 1-for-1 basis, why can't we cut this program heavily? Did your previous answer mean you believe it will be heavily cut?

Admiral PEET. Well, there is certainly a different ball game now that we have a peace agreement. We are in the process of evaluating and reassessing it, and I would rather not make any predictions along that line.

REDUCED SPENDING CEILING FOR CAMBODIA

Senator SYMINGTON. I am particularly sensitive about the Cambodian situation—

Admiral PEET. Yes, sir.

Senator SYMINGTON. About a year ago I went to Cambodia. I have seen a lot of messed up situations, but never seen one to beat that setup. This is no criticism of our people there. We tried in the Senate to get a limitation on the aid, but the Administration objected; in fact, there was objection to even a limit at what it said was wanted. They just didn't want to be bothered with any congressional interference when it came to the money.

To date, in this fiscal year, your obligations for Cambodia, the program, totals only \$116 million I am told, as against a figure which finally got through the Senate of \$341 million. Since more than half of this fiscal year is now passed, is there any reason why the expenditure ceiling for Cambodia cannot be reduced heavily; and, if so, to what figure do you think it could be reduced?

Admiral PEET. Senator, the obligation ceiling last year was \$341 million. This year, although I think there is a technical question as to whether we have a ceiling under CRA, we are operating under a ceiling that is in fact lower than the \$341 million.

Senator SYMINGTON. What is that figure?

Admiral PEET. It is a total ceiling for aid and we are well within the ceiling. In fact, right now as you have indicated, for the first two quarters economic and military assistance amounted to only \$116 million.

Senator SYMINGTON. Do you think it would be—

Admiral PEET. It would not be appropriate for me to give a new ceiling.

Senator SYMINGTON. Our economy continues to deteriorate. Nobody would argue that fact. We in the Congress are trying to get a handle on what we are spending out of the country. Last year the only handle we could get through the Senate was that amount of money the administration asked for; otherwise enough Senators on both sides of the aisle refused to go for any reduction. But you didn't spend anything like what you asked for. I ask now, what do you think your estimate would be for this year in Cambodia?

Admiral PEET. Senator, it is not firm, it would be just a guess on my part, and I would rather not get involved in a guessing game. I would hope you would have confidence in our desire to keep it as low as possible because we want to.

Senator SYMINGTON. Will you make a guess and then correct it for the record?

Admiral PEET. I would certainly say it would be less than \$300 million, sir.

Senator SYMINGTON. All right. I thank you.

Admiral PEET. But I don't have control of the whole thing. This is a total figure for the Government. AID is involved as well as the Defense Department.

Mr. TARR. Senator, the supporting assistance program for Cambodia this year will run about \$70 to \$75 million, and also Public Law 480 shipments would come under your ceiling also. So that the \$116 million military assistance figure alone might be somewhat misleading.

Senator SYMINGTON. All those items are included in an estimate we have been given, everything mentioned so far. It totals \$226 million, so I don't see why you need around \$300 million, even as a guesstimate. I would hope we would try to put sound accounting principles of management in this field.

RECOVERING MONEY STOLEN BY CAMBODIAN MILITARY PAYROLL PADDING

An article last January said the Minister of Information of Cambodia acknowledged at a recent news conference that because of payroll padding by military commanders the Government had at times paid salaries to as many as a hundred thousand nonexistent soldiers—a wasted total of around \$2 million a month.

Has anything been done to get the money back that was stolen through this payroll padding?

Mr. TARR. Senator, I think one thing that we need to keep in mind about the so-called phantom troops in Cambodia is that those troops are paid out of the Cambodian Government's budget. Now it is true that in our program this year of about \$70 million of supporting assistance, we provide commodity imports sold in Cambodia, and the proceeds of some of these go toward that military budget. They go toward approximately one-half of that military budget.

Now, it would be difficult for us in this kind of argument to honestly plead that the United States had supported these phantom troops, because the payments to troops actually on board were considerably in excess of the budget that had been undertaken by the U.S. subsidy.

Senator SYMINGTON. What percent of the total Cambodian budget does the U.S. support?

Mr. TARR. I have said that we support approximately one-half of their military budget.

Senator SYMINGTON. I understand it is about 75 percent. In any case, if we are putting up that much of the American taxpayers' money, don't we take steps when they admit themselves they have been paying a hundred thousand soldiers who were not there?

Mr. TARR. Senator, as you know, we have a small military mission there, and one thing we have done through that mission is to help the Cambodians install the kind of payroll systems that—

Senator SYMINGTON. Mr. Secretary, I understand all that and am sure you have a lot of plans and organizations and setups, and I am not being critical of you, just asking a question. I would like an answer. Have we done anything specific about recovering this stolen money, inasmuch as we put up an estimate of 75 percent of their total budget? Have we or haven't we? That is the question.

Mr. NOOTER. Senator Symington, if I could speak to that, let me say that the belief is widespread that, as you have indicated, the Cambodian Government payroll system was paying a number of troops that weren't on the payroll. That was of concern to the Cambodian Government as well as to ourselves and, in fact, when I was out there last November they had just come to us at very high levels and asked for assistance in trying to bring that situation under control.

But let me say that having an awareness of this problem is quite different from having an accountancy of what the shortfall is, and I was aware out there in talking with our people, as they were beginning to take on this problem, that it was extremely difficult to actually count heads on the battlefield and see how many people were on board. I will say that we made representations at very high levels frequently. We took severe steps to bring that condition to an end.

Senator SYMINGTON. I understand that, especially as you are working with our own people's money. As I understand it, we are supporting an army of 200,000 people, but now they say, the Cambodian Government itself says, 100,000 of those were fictitious.

FINANCIAL ADJUSTMENT CONCERNING CAMBODIAN MILITARY PAYROLL
PADDING

All I am asking, is there any financial adjustment? We still have a force ceiling agreement with Cambodia that calls for 200,000 soldiers, and are equipping 200,000; but we sent people out there to look. They reported only 125,000 in being. We are back in the same kind of a situation discovered several years ago in the Philippines, a great deal of our taxpayers' money being paid to get soldiers from the Philippines to go to Vietnam. The soldiers never got the money.

Do we pass this money over and then turn our backs on it, or do we demand repayment?

Mr. NOOTER. Well, we have not turned our backs at all. Incidentally, the agreement—

Senator SYMINGTON. Then what have we done, specifically?

Mr. NOOTER. We have worked with their people to go out into the field and we are operating there, as you know, with a very small staff which both we and the Congress agree is desirable in terms—

Senator SYMINGTON. Are we working with people on this specific problem?

Mr. NOOTER. Yes, sir.

Senator SYMINGTON. When do you think you can give a report to this committee as to the result?

Mr. TARR. Mr. Chairman, we have a statement that we would be willing to submit for the record if the committee wishes to have it. (See p. 49.)

Senator SYMINGTON. I am also on the Armed Services Committee and I would like to know where this money is going. We pile it in, year after year. It seems to me if the American people are being told they are supporting a 200,000 man army, and the Government of Cambodia states 100,000 of those are fictitious, it ought to be explored and, if possible, some money saved for us. Every day it is becoming more clear the United States is running out of money as the dollar

continues to deteriorate. And there is continuing overall deterioration in our own economy. If you will supply that for the record I would appreciate it, Mr. Secretary.

EMBARGO ON MILITARY EQUIPMENT TO INDIA AND PAKISTAN

Have we continued the total embargo on military equipment, spares, and supplies to India and Pakistan, without reservation?

Mr. TARR. We have.

Senator SYMINGTON. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Senator CASE.

Senator CASE. Thank you, Mr. Chairman.

RETURNING MILITARY ASSISTANCE FUNDING TO FOREIGN ASSISTANCE ACT

Gentlemen, since 1966 military assistance for Vietnam and Laos has been funded out of the defense budget. With cease fires now in Vietnam, in Laos, and, I hope, not too far away in Cambodia, do you think the administration would have any objection to returning military assistance funding for these countries to the regular Foreign Assistance Act?

Mr. TARR. Senator, a considerable amount of discussion has gone on in the Department of Defense and the Department of State and with the White House on this matter since the cease-fire in Vietnam. I think that the President has not made a final decision yet with respect to the total submission of the budget for fiscal year 1974. But I can tell you that we have been exploring this very carefully.

Senator CASE. The administration hasn't made up its mind yet?

Mr. TARR. No.

Senator CASE. Mr. Chairman, I would hope that before the Senate considers the aid program for fiscal year 1974, the administration will advise us what it has in mind so that we may be guided accordingly. We have to make a decision, but we would like to have the administration's recommendation.

USE OF DEFENSE DEPARTMENT REQUEST FOR SOUTH VIETNAM AND LAOS

The Defense Department's budget request for 1974 asks for authority to use \$2.100 million for funding of South Vietnamese and Laotian military forces. That is as much as was asked last year before the North Vietnamese offensive brought about the need for a supplemental request.

In your judgment—and this is tied in with my questions yesterday to Secretary Rogers—can these funds be used or could they be used for purposes like building bridges, buying bulldozers, repairing railroads, improving transportation systems generally, or for other purposes in connection with rehabilitation of the economy, the infrastructure of the countries of Indochina?

Admiral PEET. The figures we mentioned a little while ago in the fiscal year 1974 budget are approximately \$1.56 billion for South Vietnam and \$0.3 billion for Laos, for a total of \$1.871 billion. However, that was under a different set of ground rules. It was before we had—

Senator CASE. This is my question, Admiral. I am asking whether that money, in your judgment, can be used by the Defense Department, by the administration, for other than strictly hardware military purposes? Can it be used for reconstruction, whatever the amount?

Admiral PEET. What I am saying, Senator, is that this whole thing is out of date, so to speak; it is overtaken by events. We are revising the whole program.

Senator CASE. What is the sense of our considering it now?

Admiral PEET. I am sorry, sir?

Senator CASE. What is the sense of our considering it now if the whole thing is in flux?

Admiral PEET. Well, it is my understanding so far as this session this morning is concerned we are not considering MASF funding.

Senator CASE. We are talking about the balance of 1973, the rest of this fiscal year.

Admiral PEET. But it is not considered MASF funding, and what we are talking about is not considered MASF funding; we are not talking about those figures.

Senator CASE. I see, on this matter then you are not ready to make up a recommendation or to follow up the recommendation in the budget.

Admiral PEET. That is correct, sir.

Senator CASE. So the budget figure—

Admiral PEET. So far as MASF funding for fiscal year 1974 is concerned.

Senator CASE. This is massive, all right. What I am trying to get at is, do you regard it as proper under existing law to use money like this for reconstruction purposes?

Mr. TARR. Senator, I don't believe that we can elaborate any more than the Secretary did yesterday on this point.

Senator CASE. No; what he said was that wherever it was possible to get away with it you might do it. That is a reasonable paraphrase of what he said. He refused to say the administration wouldn't do it.

Now I am not asking you what your intentions are. I am asking you what, under existing law, you think can be done, because we may have to change the law—that is what I am getting at, you see.

Admiral PEET. Senator, as manager of the program, so far as the Department of Defense is concerned, I assure you we will manage it within the law.

Senator CASE. That is a fine statement and I think you are right at least as you interpret the law in any event.

Admiral PEET. Yes, sir.

Senator CASE. But that isn't the question. The question is what is the law?

Mr. TARR. Senator, I don't believe we are prepared to answer on that.

Senator CASE. Would you ask counsel to give an opinion on this, please?

Mr. TARR. We will.

Senator CASE. For the Defense Department, for AID, and for the Department of State.

(The information referred to follows:)

LEGAL INTERPRETATION REGARDING USE OF MASF FUNDS

(Supplied by Department of Defense for themselves and Department of State)

Section 737 of the Department of Defense Appropriations Act, 1973, authorizes Department of Defense appropriations to be used "for their stated purposes" to support Vietnamese forces. The words "for their stated purposes" have the effect of limiting the use of the appropriations line items on behalf of the Vietnamese forces to such activities and projects that the Department of Defense could perform for the United States Armed Forces. Accordingly, section 737 does not authorize Department of Defense appropriations to be used for general rehabilitation of the economy of Vietnam.

USE OF MASF APPROPRIATIONS FOR RECONSTRUCTION PROGRAMS

Mr. TARR. My understanding is that your question is could MASF appropriations be used for AID projects for which they were not originally intended when the—

Senator CASE. As an example, could funds which we are appropriating or expect to be appropriating with the understanding they are for military hardware purposes be put into reconstruction programs to which we are not necessarily opposed. I am trying to find out what authority and what degree of flexibility exists. Without blaming any of you gentlemen, I would just point out that we have been faced in the past with enormous transfers. Cambodia is the example that comes most readily to my mind. In that case, the administration diverted hundreds of millions of dollars for the Cambodian military aid program without congressional authorization. This is the kind of thing I am concerned about, and my interest in it was sharpened by my discussion yesterday with the Secretary on the basis of that Newsweek article with which you are all familiar.

The staff has just called to my attention that MASF funds are already being used for civil engineering purposes. What is the authority for that, Admiral?

Admiral PEET. The general authority for MASF activities is section 737 of the DOD Appropriations Act, 1973.

Senator CASE. Yes. I am not necessarily criticizing the purpose. I want to know about the legislative authority and the flexibility that the administration believes it has.

Admiral PEET. Yes, sir.

Senator CASE. This is what we are concerned about; at least this is my own concern.

CLASSIFICATION OF FOREIGN MILITARY BASE AUTHORITY LIST

Why was the list that we got for country-by-country authority for foreign military base establishments sent up as secret? We are very glad to have the information, but why was it classified as secret? Could you find this out for us?

Admiral PEET. I will check and find out, and supply it for the record.

Senator CASE. Do you have any idea? Were you familiar with this list?

Admiral PEET. No, sir, I was not.

Senator CASE. I see. Would you find that out for us and have the information furnished to us?

Admiral PEET. Yes, sir; I will find out.
(The information referred to follows:)

CLASSIFICATION OF COUNTRY-BY-COUNTRY LIST OF FOREIGN MILITARY INSTALLATIONS

(Supplied by Department of Defense)

The list entitled "Agreements Authorizing US Military Installations in Foreign Countries and Areas," January 23, 1973, is classified SECRET due to individual entries having that classification (indicated by an "(S)" preceding each item). There are also items classified CONFIDENTIAL (indicated by a "(C)" preceding each item). The items not preceded by an (S) or (C) are unclassified. The classification of the entries is governed by the classification of the agreements to which they refer.

Senator CASE. At the moment, Mr. Chairman, I think I have taken as much time as I should. Excuse me.

The CHAIRMAN. Senator McGovern.

Senator SYMINGTON. Would the Senator yield?

Senator McGOVERN. Yes.

STATEMENT ON QUESTION OF CAMBODIAN PILFERAGE

Senator SYMINGTON. You have a statement you mentioned in reply to my question. Would you read it if you have it?

Mr. TARR. It is three pages long and if the chairman wants it read we will read it. (See p. 49.)

Senator SYMINGTON. Thank you, Senator McGovern.

MILITARY AID TO CAMBODIA IN VIEW OF CEASE-FIRE AGREEMENT'S
PROHIBITION

Senator McGOVERN. Mr. Tarr, article 20(b) of the Vietnam cease-fire agreement concerning Cambodia and Laos has this to say, and I quote from the agreement:

Foreign countries shall put an end to all military activities in Cambodia and Laos, totally withdraw from and refrain from re-introducing into these two countries troops, military advisers and military personnel, armaments, munitions and war material.

As I understand it, the bill before us would fund a considerable amount of military aid for Cambodia. Two hundred ten million dollars was requested for the 1973 fiscal year.

As I understand it the military budget for Laos comes out of the Defense budget. But how can additional military aid be furnished to Cambodia in view of the specific prohibition of such military aid under the Vietnam cease-fire agreement, as has been mentioned in the press?

Mr. TARR. Senator McGovern, my understanding is that subparagraph (b) of article 20 to which you refer must be read in context with subparagraph (a) which simply says that the parties to the agreement will abide by the Geneva agreements on Cambodia of 1954 and on Laos of 1962.

We ourselves raised questions on this point, and we were assured by those from the State Department and the White House who were involved in these discussions that the understanding at the time of the

cease-fire agreement was that subparagraph (b) could not be read except in the context of subparagraph (a).

Senator McGovern. The net result of that, whether you read it in context or not, is to prohibit military aid; is it not?

Mr. Tarr. Not under the Geneva agreements.

Senator McGovern. I don't see how the language I read from article 20, putting an end to all military activities in Cambodia and Laos and an end to all shipments of munitions and war materials, is qualified in any way. It is a flat prohibition against any further military shipments into that area by either side. It is not really a question of what the other side is doing. I don't see how either side can do it. As I read it, it is an unqualified prohibition against such military assistance.

Mr. Tarr. Senator, all I can tell you is that we have been told that the understanding was that chapter 7 regarding Cambodia and Laos was to bring back in force the Geneva agreements that do permit at the request of the various governments involved items of military assistance.

Senator McGovern. That is just one more piece of the evidence that seems to be growing, as far as I am concerned, that this agreement which we are arriving at now in 1972 and 1973 is pretty much a restatement of what we found unacceptable in 1954. If what you say is true, then even the language in this agreement has its validity in the 1954 agreement, and it really underscores the tragedy of all these things we have been doing for the last 19 years if we are now going to end up with the same agreement we found unacceptable back in 1954. I don't know what we have accomplished over the last 19 years.

(The articles referred to follow:)

[From the New York Times, Feb. 3, 1973]

**ARMS TO CAMBODIA AND LAOS DEBATED--PENTAGON SAID TO FEEL PACTS BAR HELP
WITH THE STATE DEPARTMENT DIFFERING**

(By John W. Finney)

WASHINGTON, Feb. 2.—A disagreement has reportedly broken out within the Nixon Administration over whether the recently concluded agreement for a cease-fire in Vietnam allows the United States to continue military aid to Laos and Cambodia.

Senate Democratic sources report that they have been informed by State Department officials that the Defense Department is being urged by the State Department, and apparently by the White House office of Henry A. Kissinger, to continue military aid to Laos and Cambodia and not to withdraw any of the military aid personnel assigned to the two countries. The aid amounts to some \$500-million a year.

Directors of the military aid program in the Pentagon have reportedly questioned whether such continuation of military aid was permissible under the Vietnam peace agreement and are said to be demanding that any orders to continue the aid programs be put in writing by either the State Department or the White House.

The agreement is specific in restricting the military aid provided to the contending sides in South Vietnam. It provides that from the start of the cease-fire last Sunday, all military aid must be limited to replacing, on a one-for-one basis, equipment and armaments that have become worn out or destroyed.

But when it comes to military aid to Laos and Cambodia, the agreement is less specific and subject to varying interpretations within the Administration.

Article 20 of the agreement, dealing with Cambodia and Laos, provides in Section A that all parties "shall strictly respect" the 1954 Geneva Agreements on

Cambodia and the 1962 Geneva Agreements on Laos—agreements that basically establish the independence and neutrality of the two nations.

Section B of Article 20 goes on to provide: "Foreign countries shall put an end to all military activities in Cambodia and Laos, totally withdraw from and refrain from reintroducing into these two countries troops, military advisers and military personnel, armaments, munitions and war material."

PENTAGON CITES ON SECTION

It is Section B that Defense Department officials cite in questioning whether a continuation of the military aid programs is permissible under the agreement.

To Defense Department officials, the clear intent of this section is to cut off military aid to the two nations, although no precise deadline is set for the termination.

However, State Department officials, in arguing that continued military aid is permissible, cite Section A of the article, which calls on all parties to respect the 1954 and 1962 Geneva accords. They note that both the 1954 Agreements on Cambodia and the 1962 Agreements on Laos permit each country to request and receive military aid needed for self-defense.

Therefore, State Department officials contend, the Vietnam cease-fire agreement permits military aid to be continued if requested by the governments in Laos and Cambodia. Describing Section B as redundant, they said they were governed by Section A.

The present intention, State Department officials said, is to continue military aid to Laos and Cambodia unless such aid is specifically prohibited in any truce agreements worked out by the contending factions in the two countries.

The Senate majority leader, Mike Mansfield of Montana, said in an interview that he would advocate "a cut-off of military aid to Laos and Cambodia as soon as a cease-fire is reached and a truce is arranged."

In the defense budget submitted to Congress earlier this week, the Administration asked for \$2.1-billion in military aid for South Vietnam and Laos in the fiscal year beginning July 1, with about a sixth of the total for Laos. Military aid for Cambodia is handled in separate legislation that has not yet been submitted to Congress.

MANSFIELD FAVORS CUTOFF

For the current fiscal year, which ends June 30, the Defense Department has scheduled \$49-million in military aid for Laos plus \$50-million in "supporting assistance," an indirect form of military aid used to help a nation carry a heavy defense budget.

For Cambodia, the Defense Department has proposed \$209.5-million in military aid in the current fiscal year, plus \$75-million in supporting assistance.

Because of a stalemate that developed in the last Congress on foreign aid legislation, however, foreign aid for Cambodia and other countries is being provided under a continuing resolution, with spending at basically least year's rates. That continuing resolution expires at the end of this month.

The United States maintains a military mission of more than 500 in Laos.

In Cambodia, where the United States resumed military aid in 1970 after the ouster of Prince Norodom Sihanouk as chief of state, there is a 50-man "military equipment delivery team," that is not supposed to give military advice to the Cambodians.

U.S. AIR STRIKES IN LAOS

HONOLULU, Feb. 2.—The Office of the Commander of United States forces in the Pacific said today that American aircraft continued bombing missions in Laos for the fifth straight day.

A three-line announcement said only that United States aircraft, including B-52's, continued operations over Laos at the request of the Laotian Government.

[From the Washington Star-News, Feb. 5, 1973]

INDOCHINA ARMS LOOPHOLE?

(By Oswald Johnston)

The United States is free to continue supplying military aid to both Laos and Cambodia after a cease-fire there, the State Department said today.

Despite language in the Vietnam peace agreement banning a reintroduction of war material into Laos or Cambodia after the withdrawal of foreign troops, the State Department says the agreement allows continuing aid to the established governments, both of which have been U.S. allies in Indochina.

State Department spokesman John F. King said this interpretation of the complicated article in the Vietnam peace document referring to Laos and Cambodia was not objected to by North Vietnamese negotiators when the agreement was hammered out last month.

King refused to say however, whether this point was covered in a secret understanding, either oral or written, with the North Vietnamese.

"The right of the governments of Laos and Cambodia to import arms for self defense is in no way impaired," King said.

To explain this, King pointed out that the peace accord's ban on reintroducing war supplies "has to be read in context" of language saying the Geneva Agreements of 1954 and 1962 are still to be enforced.

Under those accords, King explained, the governments of both Laos and Cambodia are allowed to receive aid, military and economic, from "any source."

"In negotiating Article 20 of the Vietnam agreement (which refers to Laos and Cambodia cease-fires and foreign troop withdrawal), there was no intent to change those accords of 1954 and 1962," King said.

The operative language in Article 20 is aimed at withdrawal of the North Vietnamese forces now operating in both Laos and Cambodia. The terminology "foreign troops" also refers, however, to U.S. ground forces operating in Laos and to Thai troops who have been fighting on the government's side in Laos.

There is one hitch in this reading of the Laos-Cambodia situation, and King declined to discuss it. This is the fact that the North Vietnamese recognize as the governments of both Laos and Cambodia the rebel forces they have been supporting.

The Laotian rebels, the Pathet Lao, regularly refer to the Royal Laotian government of Prince Souvanna Phouma (as the State Department styles it) as the government in Vientiane--the current and temporary capital of the country.

Likewise, forces loyal to Prince Norodom Sihanouk, the deposed Cambodian ruler now in exile in Peking, refuse to recognize the legitimacy of Premier Lon Nol's regime in Phnom Penh.

[From the Washington Post, Feb. 6, 1973]

UNITED STATES CAN GIVE ARMS TO LAOS, CAMBODIA, STATE DEPARTMENT INSISTS

The United States can continue to supply arms to Laos and Cambodia under the Vietnam peace accord, the State Department said yesterday.

The statement, issued by department spokesman John King, came in response to a New York Times report Saturday that there was division between the State and Defense departments over interpretation of this point in the peace accord.

The newspaper said the Defense Department felt a provision requiring foreign countries to refrain from military activities in the two Southeast Asian countries, including the reintroduction of arms and war material, banned future U.S. military aid.

But King said that Article 20 of the Vietnam cease-fire agreement, which contains the provision banning reintroduction of troops and war material, allows the supply of arms to the governments of Cambodia and Laos for self-defense.

He cited Paragraph A of Article 20, which calls on the Vietnam cease-fire signatories to adhere to the 1954 and 1962 Geneva agreements. It is these accords that allow the supply of arms for self-defense, the spokesman explained.

The State Department would not address itself, however, to the question of whether North Vietnam or China would be free to supply arms to Prince Norodom Sihanouk, whom they recognize as the legitimate head of Cambodia.

King said that "in negotiating Article 20 of the Vietnam agreement there was no intent to change those [The Geneva] agreements." The agreements ended French involvement in Indochina and established the neutrality of the two Southeast Asian countries neighboring Vietnam.

King said that Paragraph B of Article 20, which The New York Times said was read by the Defense Department as a ban on future U.S. military aid, was aimed at foreign troops and the arms they had with them.

When asked whether the removal of foreign forces provided for in this section meant that the roughly 4,000 so-called Thai volunteers fighting on the royal Laotian side must be withdrawn, King said only that the agreement meant "all foreign troops."

U.S. military aid to Laos and Cambodia is currently running at about \$500 million a year.

[From the New York Times, Feb. 15, 1973]

FUTURE MILITARY AID TO LAOS

TO THE EDITOR: John Finney's Feb. 3 report that the State Department and the Defense Department hold differing views over future military aid to Laos makes depressing reading for anyone familiar with the history of U.S. involvement with that country. In the mid-fifties, there was a strikingly similar dispute between these two departments, with which your readers should be made familiar.

Then, following the signing of the SEATO Treaty in September, 1954, Secretary of Defense Charles E. Wilson requested the Joint Chiefs to prepare recommendations regarding the optimum size of the Lao Army and the amount of U.S. military aid that would be required. In a move which must continue to perplex those who always see the U.S. military as single-minded proponents of large armies and war, the Joint Chiefs concluded that, with the end of the war in Vietnam and with the inclusion of Laos under the "umbrella" provided by SEATO, it was desirable to reduce the Lao Army from its wartime strength of 15,000 to a level needed for routine police work.

It was the State Department that urged a massive commitment of U.S. resources. Concerned that the Lao Army appeared to be the only cohesive force in the country, Department of State officials successfully opposed the Joint Chiefs' view. More importantly, they persuaded the U.S. Government to support a Lao Army of 25,000, or a 66 per cent increase in the size of an army the U.S. military thought should be reduced into nonexistence.

The political and economic consequences of supporting such a large army are apparent to anyone who has visited Laos. In an underdeveloped country with no industrial base, the salaries of the ballooning Lao Army—it was to climb toward 100,000 in the 1960's—had a catastrophic effect on the local economy. Run-away inflation developed since there were no goods to buy. To counter the inflation, the U.S. had to pour massive amounts of aid into the country. This in turn corrupted Lao political and social life. Moreover, with so many young men in the army, Laos could not even produce enough rice to feed itself; large imports from neighboring Thailand became necessary.

In the mid-fifties, a key factor influencing the Joint Chiefs' decision to recommend a cut in the size of the Lao Army was the prohibition inherent in the Geneva agreements against U.S. establishment of a Military Assistance Group in Laos to supervise training. Ironically, Pentagon officials today are questioning whether continuation of military aid is permissible under the Vietnam peace agreement. Citing one clause of the agreement, they say it isn't; citing another, State Department officials say it is.

This is not meant to suggest that historical parallels always enlighten. Sometimes they mislead. But enough has been said to make clear that Congress should insist on a very persuasive case indeed before it concludes again that in Southeast Asia the Pentagon is always wrong and the State Department is always right.

CHARLES W. MAYNES,
New York, Feb. 6, 1973.

(The writer is a former foreign service officer, U.S. Embassy, Laos.)

USE OF U.S. AID TO FINANCE COMMERCIAL IMPORTS

Senator McGOVERN. In another connection, Mr. Tarr, as you know, much of the U.S. economic aid to South Vietnam, Cambodia, and Laos, I think a very high percentage of it, is now used to finance commercial imports. There have been stories appearing in the press over the last

few months, two of which, Mr. Chairman, I would like to ask unanimous consent to have made part of the record—

The CHAIRMAN. Without objection it is so ordered.

(The information referred to follows:)

[From the (Washington) Sunday Star and Daily News, Nov. 26, 1972]

CAMBODIA'S ELITE GROWS RICH WITH U.S. AID

(By Tammy Arbuckle)

PHNOM PENH, CAMBODIA.—The Cambodian economy is running on a "more business than usual" basis despite the war, courtesy of the American taxpayer, diplomatic and Cambodian officials who are disgruntled with rampant corruption and fat living in this capital say.

"There is no belt tightening here," one diplomat said, commenting on effects of the war on Cambodia. The vehicle which brought opulence in time of war is once again the same as in the other countries of Indochina, an American economic aid program with the same old ingredients, the setting up of a corrupt local official and Chinese merchant elite, insufficient control of U.S. funds, economic thinking on the part of American officials which takes no account of the effects of U.S. economic aid on the recipient country's society and, in the case of Cambodia, outright bribery of a foreign government.

PROPS FOR IMPORTS

American economic aid to Cambodia is tied almost completely to financing imports into Cambodia. This is done through two programs—the Commodity Import Program (CIP) and the Exchange Support Fund (ESF).

U.S. officials in Phnom Penh admit one of their aims is to keep the Cambodian volume of imports at a prewar level. After two years of war, Cambodian exports of rice, rubber and tobacco have become almost non-existent as the Communists have seized control of large areas of the countryside, cut roads and rail communication. Of course, without exports, Cambodia cannot pay for imports. Therefore the United States has stepped in to finance Cambodian imports.

COMPLEX PLAN

American economic reasoning on financing Cambodian imports is this: the outbreak of war in Cambodia brought about a large Cambodian military budget. In order to pay the troops and other war expenses, the Cambodian National Bank printed large numbers of banknotes for Cambodian government use. This meant there was a large supply of money in the country. As people had more paper money there was a corresponding rise in prices and inflation. The United States, by financing imports, makes goods available to soak up the extra money supply and movement of currency generates funds for the Cambodian government through customs revenues and taxes.

It all sounds very feasible until a close look is taken at the \$110 million U.S. aid economic program and what it actually does.

Some \$75 million is budgeted in fiscal year 1973 for the CIP, an amount economic sources say is about \$25 million in excess of Cambodia's actual import needs. Some of the money is being used to import luxury articles such as air conditioning equipment and television sets.

ELITE FORMED

Informed sources say it is ridiculous that these luxury articles should be imported to be sold to a small group of people who can only afford them because of the large profits they make out of the CIP in the first place.

This group is a small elite group of high-ranking Cambodian officials and businessmen. They are getting rich because the U.S. import program allows them to import goods from the United States at a preferential rate of 130 Cambodian riels to the U.S. dollar compared to a current market rate of about 190 riels to the dollar. These businessmen do not pass on this bonus to the Cambodian consumer whom they charge at the 190-riel rate this profit is instead transferred into black market U.S. dollars which are slipped out of Cambodia to Hong Kong and Singapore, large-scale capital flight of Cambodian foreign exchange.

U.S. embassy officials, asked about this state of affairs, explain lamely that importers have a waiting period for goods purchased in the United States of five or six months. Without this preferential tariff they would not risk funds to order U.S. goods. Because it is U.S. money involved Congress insists Cambodia buy U.S. goods officials said.

Junior officials in the Cambodian ministries complain this preferential tariff system has led to formation of a small business elite while the ordinary Cambodian has various imported goodies dangled in front of his eyes which he can't afford. Desire to have luxury items has led to an increase in already rampant corruption in government offices and social dissatisfaction, sources said. Nor does the Cambodian government benefit from customs revenues or taxes. Economic sources charge there have been irregularities in the agency which processes importers applications and importers have not been paying customs dues or tax.

"Cambodia is an undisciplined society, there is no way of checking on these things here or collecting revenues properly," sources said. Thus the U.S. aim of adding to government revenues is imperfectly attained.

Sources here say the U.S. Cambodian import program would be more viable if it were confined to essential goods for the average Cambodian, cumbersome paper procedures eliminated making faster delivery times, the preferential tariff eliminated and therefore more Cambodian riels soaked up. U.S. financed imports and the whole tied to cleanup of corruption in various Cambodian government departments, particularly customs.

The CIP accounts for 70 percent of Cambodian total imports. The remainder is handled through the exchange operations fund, a \$35 million fund to which the United States officially contributes \$12.5 million.

U.S. economic sources here are enthusiastic about the ESF because the Cambodian national bank fixes the dollar-riel rate daily, forcing would-be importers to bid for dollars for their import needs. This prevents "runs" by merchants on U.S.-supplied funds, U.S. officials say, because the bank can enforce a high exchange rate simply by refusing to sell dollars if importers' bids are too low.

OUT OF SIGHT

This should not give U.S. officials reason for jubilation, however. What ESF does in fact is provide the Cambodian government with foreign exchange with which it finances local businessmen to import luxuries from countries like Japan. The United States has no means or rights to audit just how the \$12.5 million is used by Cambodia, economic sources here say.

Press reports in Cambodian newspapers published Nov. 9 revealed some abuses that go on. They alleged 1,000 Honda motorcycles were imported from Japan but no customs tax was paid and that one of the defendants in the case would be the chief of Cambodian customs. The case was postponed because the customs chief failed to appear in court.

[From the New York Times, Nov. 30, 1972]

CAMBODIAN WAR ENRICHES THE CORRUPT, DEBASES THE POOR

(By Sydney H. Schanberg)

PNOMPENH, CAMBODIA, Nov. 29.—The sons of generals drive Alfa Romeos and Cougar fastbacks. The governor of a province is known to sell ammunition and drugs to the enemy. Other government officials can be seen selling automatic rifles and uniforms to wealthy merchants, who in turn sell them to both sides. Low-salaried colonels—some accused of pocketing the payrolls of their units—build luxury villas here in the capital and rent them to Americans for \$700 a month.

At the other end of the scale hundreds of thousands of Cambodian refugees uprooted by the fighting and jammed into Pnompenh often cannot afford to buy enough rice. The price has rocketed as the Communists have blocked supply routes and officials have engaged in profiteering with the emergency supplies brought in by the Americans.

The refugees live in new shantytowns, in empty railroad cars and with relatives in houses with wall-to-wall people.

This is the distraught face of Cambodia after two and a half years of war—a country of open green spaces that is now a country of human islands, where

people huddle in the isolated towns and cities still under Government control and await the next rocket or sapper attack by the Communist forces, which are all around them.

"The mind protests," says a refugee who used to be a farmer and is living in a hovel and driving a cyclo—a cycle rickshaw—to earn a meager living. He taps his forehead and wrinkles his face in pain to get his meaning across: "I used to work six months and relax six months. Now I have to work every day the whole year. And the only rice I can afford is the poor quality we used to feed to our livestock."

His litany of dejection is endless: "There is no way to leave the city, it is too dangerous. There is no place to take the family to play. All we have here is noise and smoke from the motorcycles and cars. This is a very bad time for the poor."

It would take a lot to truly despoil Phnompenh, to mar its soft and sleepy and pleasantly decadent visage, to turn it into a mean and debased Saigon—but some ugliness has intruded.

Though there is a 200 per cent duty on cars, and only one has been brought into the country through the legal procedure this year, the streets of Phnompenh—once graceful, virtually empty avenues lined with flame trees—are crowded with the late-model vehicles of the well-to-do.

Fatal accidents, a rarity before, have become common. On a recent morning a Mercedes-Benz driven by a Frenchman struck a young girl on a main avenue. Her sprawled body lay for over an hour, its outline traced in chalk by the police, before it was taken away. A large crowd gathered on the sidewalk and stood silent, staring—testimony to the newness and unreality of a traffic death.

There are other new things—more barbed wire, more military policemen with whistles that always seem to be shrilling and a 10 P.M. curfew. There are also new bars and dance halls—Tropicana, Miami, Golden Horse and Amigo—built in anticipation of an American influx. Though some Americans do come despite an embassy edict discouraging it, those watering places are usually filled with Cambodian Army officers spending money by the fistful on whisky and girls.

The prostitute who used to cruise the streets in languid armies of rickshaws that would deftly cut prospective customers off at the pass now operate more conventionally from the bars and from the sidewalks outside hotels. Their language is also changing—from dulcet French to the crude G.I.-inspired pidgin English of the Saigon bargirl.

"You No. 1," coos Su Yen, a Chinese girl working at Korea House, where the band plays ear-piercing electronically amplified American rock. "You come my house?" Su Yen persists. "You come tonight? Tomorrow night? You No. 1."

The Cambodian people are known for their easygoing, untroubled, laughing manner, but the war has cut its psychic scars.

A Swiss drug salesman said: "The biggest part of my business here has become tranquilizers. I know it sounds crazy. You see these people smiling all the time, they look happy. But they're buying tranquilizers now. They don't show it—the tension is all inside."

There are not many places a Cambodian can run to if the Communists attack his community. The enemy—the North Vietnamese, Vietcong and Khmer Rouge—already controls at least three-quarters of the country, which is about the size of Missouri, and 40 per cent or more of the population of seven million.

Only the larger towns along the main roads in the west remain in Government hands, and most of these can be reached from the capital only by air because the Communists keep cutting the roads.

A road that is open more often than most is the one from Phnompenh to Kompong Cham, a province capital to the northeast. Mik Ning, a 21-year-old intercity taxi driver who makes the 180-mile round trip twice a day with his Peugeot usually packed, circus-clown fashion, with about 15 people, conceded that the ride was risky but said it was too lucrative to give up. He makes about 2,000 riels, or \$10 a day—handsome pay in a country with a per capita income of \$150 a year.

He related that he saw the enemy all the time and that they treated him politely—"certainly better than the Cambodian Army."

"The Cambodian soldiers keep asking me for money at different checkpoints along the road," he explained. "It makes traveling very expensive. Two weeks ago they asked me for too much and I refused and drove off without paying. They started firing at me."

Asked if there had been any damage, he said: "Not much—just one bullet hole in the back of the car. The only thing is, it killed one of my passengers."

The shakedowns by Government soldiers, which have become common, are not surprising, considering their pathetic pay—less than \$20 a month at a time when food prices are soaring.

Only a few get a chance at shakedowns. Despite this thousands enlist because for many men—and boys—the army is the only place they can get a job and get paid at all. And it becomes just that—a job, no matter how unpleasant.

A general on Route 4 is asked the age of a nearby child in uniform who insists he is 12. "He is 9," the general says, conceding that according to the rules he is too young. "But they come here and plead with us to join, and if we refuse them, they cry," the general adds.

They may cry over being rejected, but they do not cry in battle. And the horrors of war are no less ghastly in Cambodia than they are in Vietnam.

It is common for a Government force to open a stretch of road after an intermittent but fierce fight lasting three or four weeks to find macabre tableaux of the putrefying bodies that they had been unable to retrieve. Skeletons leer from green uniforms, the neckbones still adorned with the magic scarves that were supposed to protect their wearers from death. A bony foot detached from the rest of the body still stands upright in its boot.

The Cambodians wear no dogtags, so identification is virtually impossible. Soldiers, covering their faces against the stench with their own magic scarves, toss aside the uniforms and collect the bones in sacks to be delivered collectively to grieving families.

There is brutality on both sides—mutilation of bodies, killing of prisoners.

A Cambodian colonel trying to open Route 5 was asked if he had taken any prisoners. "No," he replied emotionlessly, "we have no prisoners. My men killed them all and cut off their heads."

Except for Pnomphenh and its immediate environs, most towns in Cambodia have been badly damaged if not nearly destroyed by a combination of allied air raids and enemy shelling. For all the scars, the countryside is still lush and green and fecund—a wonderland of fertility. Ducks glide on lotus ponds, healthy cattle graze on the verdant roadside, and, almost by magic, bamboo, bananas, coconut palms and rice grow everywhere.

In Pnomphenh, except for the refugees, there is little sense of the war. Colonels who never leave the capital, who have never been near a battle, drive around in fancy jeeps with mounted machine guns, flashing red lights and sirens, guarded by soldiers armed with new American M-16 rifles, while some troops in the field are still carrying inferior carbines.

"I don't have a jeep because I refuse to pay off headquarters to get one," a disillusioned colonel relates. "Everyone who won't pay has to walk or hitch rides or take cyclos. Everything requires a bribe to someone. It's the same when you want to see Lon Nol. You have to pay someone."

The corruption has grown considerably—in direct proportion to the growth of American aid, which was zero in 1969, when relations with Cambodia were resumed after a break of four years, and has soared to \$300-million a year, two-thirds in military assistance.

The corruption—in particular, the pocketing of army payrolls and the selling of food and military supplies to the highest bidder, including the enemy—is universally confirmed here by foreign diplomats and other independent observers. A Western diplomat, referring to the traffic with the Communists, says incredulously: "It's as if a British Cabinet minister sold Spitfires to the Germans in World War II. There's no hope for this country in this atmosphere of corruption."

At the Ministry of the Interior, the office of the powerful Lon Non—President Lon Nol's younger brother, who many people say is the real power—is somnolent. Lon Non, a brigadier general and the Minister for Liberation and General Mobilization, is away. The large office is occupied by two men playing cards and two women knitting.

The rest of the capital, however placid it appears, is operating under severe strain. The population, about 600,000 before the war, has been swelled by refugees to 1.2 million. It is sometimes swelled even more by the several hundred thousand who pour in as the war ebbs and flows.

Water, power and sanitation facilities designed for half a million people are near collapse. Power breakdowns are so frequent that people in some neighborhoods spend more hours each day without electricity than with it. The schools are so overcrowded that they have been put on three shifts.

Most Cambodians feel helpless to alter the unhappy situation, for their once-prond empire has long been at the mercy of peoples and historical forces beyond its control.

"Cambodia is swinging in the wake of South Vietnam," an educator said. "If South Vietnam goes to paradise, we will go halfway. If South Vietnam goes to hell, we will get there first."

[From the New York Times, Feb. 15, 1973]

AID AND VIETNAM FUTURE—AS THE FACTIONS CONTEND IN THE SOUTH, FOREIGN HELP WILL BE POLITICAL WEAPON

(By Flora Lewis)

PARIS, Feb. 14.—Although continuing official Vietnam meetings remain focused on the stability of the cease-fire, various talks are getting under way between the rival South Vietnamese factions about their country's political future.

The key, as seen by Vietnamese here of assorted allegiances, is the form in which foreign economic aid is delivered and administered. In a sense, the aid will be to the forthcoming political warfare in Vietnam what United States air power was to warfare even after the Americans withdrew from major ground combat and undertook Vietnamization: By either its presence or its absence it will have intense effects.

This is so in both North and South, but in quite different ways.

Reconstruction aid is a major tool with which the United States hopes to wedge the North into a position of desiring to maintain the peace long after the last American G.I. and P.C.W. have gone home.

The first step in that policy was taken during Henry A. Kissinger's talks in Hanoi. As a result, it was announced today, the United States and North Vietnam have agreed to establish a joint commission to develop mutual economic relations.

In the South aid will unavoidably become a major weapon among the rivals for political ascendancy. Whether it is delivered by the United States and other countries directly or through international organizations, the way it is used and the South Vietnamese groups that handle it and direct its use will be politically crucial.

South Vietnamese Communist officials in Paris, according to some people involved, have begun energetically seeking contacts with non-Communist South Vietnamese exiles to discuss future politics.

DIRECT AID CONTINUING

One thing they have been talking about is economic aid. The sources said that the Vietcong did not object now to continued direct United States delivery of economic support to President Nguyen Van Thieu, pointing out that in the period between cease-fire and peace they too are getting direct support from their allies.

In any case, that view was implicit in the Communists' abandonment of their long-standing demand that Mr. Thieu be removed before a cease-fire and in their willingness to sign an agreement that left negotiations for a political settlement to the South Vietnamese.

The Vietcong are now looking further ahead.

The first step in the negotiations, as defined in the cease-fire accords, is to be the establishment by Saigon and the Vietcong of a "National Council of National Reconciliation and Concord," in three segments.

The two sides are pledged "to do their utmost" to set up a council within 90 days of the cease-fire—a deadline unlikely to be met but which nonetheless exerts some pressure. The third segment was in no way defined, and it will be a vital consideration for both sides.

The assumption during the negotiations was that it would somehow represent the many South Vietnamese factions whose allegiance has not been clearly tied either to the Vietcong or to President Thieu's Government.

The haggling during the cease-fire negotiations and conversation with the rival parties since then have demonstrated that Mr. Thieu and the Communists have sharply different ideas about the third segment and the council's role.

All the signs have been that Mr. Thieu does not trust his non-Communist opposition, in the country or in exile, to support him against the Communists in the council.

On the other side, there has been mounting evidence, both in public statements from Hanoi and in private comment in Paris, that the Communists look to the third segment as a most important element in their long-term plans.

North Vietnamese and Vietcong leaders have said repeatedly that they do not aim for a Communist take-over in the South but for a "national democratic revolution." South Vietnamese nationalists here believe that this is true and that it reflects the Communists' awareness that they do not have the strength to dominate the country—that they must look for third-segment people who will cooperate.

BOLSTERING SAIGON'S HOPES

The aid question enters at this point. If economic support is channeled through Saigon, it will greatly enhance the likelihood of a thumping victory for the President when the time comes for election of a postwar government. Therefore the Communists have begun to talk with likely third-segment adherents about the desirability of channeling aid through the national council—which Mr. Thieu can be expected to resist, since it would give the council just the governmental power he has refused to relinquish.

Under the best of circumstances large infusions of foreign goods and money have a distorting influence on national life. This is more the case in an under-developed country, especially so in a war-torn country and overwhelmingly so in a country riven by civil strife.

The United States never did find a way of delivering economic aid to South Vietnam without producing deep social disturbances. The postwar problem will be intensified by the political struggle.

It is an issue that goes beyond the power of the Vietnamese to settle among themselves. Willy-nilly, the way foreign suppliers, including the United States, decide to deliver help will be a form of intervention favoring one South Vietnamese faction or another. It is likely to involve the United States, the Soviet Union and other countries in the Vietnamese dispute until there is a new South Vietnamese government recognized by all.

USE OF U.S. COMMERCIAL IMPORT ASSISTANCE

Senator McGOVERN. One is from the New York Times by Miss Flora Lewis on February 15, and one by Tammy Arbuckle is from the Sunday Star, November 26 last year. Both these articles make the point that much of the commercial import assistance that we are giving to those countries has been used not for the intended purpose, or what I assume to be the intended purpose, but to import luxury items and widespread corruption is reported in this program.

Mr. Arbuckle said in his article:

Some \$75 million is budgeted in fiscal year 1973 for the CIP (commodity import program), an amount economic sources say is about \$25 million in excess of Cambodia's actual import needs. Some of the money is being used to import luxury articles such as air conditioning equipment and television sets.

The other articles make the point that there is widespread corruption in the use of these commodity import funds. Money is not being used to meet the real needs of the country but to benefit the rich in those countries.

Could you comment generally both on these reports about corruption and also the channeling of this aid into luxury items that benefit the rich at the top rather than strengthening the country as a whole?

Mr. NOOTER. If I could answer that, Senator.

Senator McGOVERN. Yes.

Mr. NOOTER. The commodity import program, particularly in Vietnam, has been under the most close scrutiny for many years. There

were problems back in the middle sixties in getting that program started, but in the last number of years our many, many internal inspections and GAO inspections in that program have shown only the most minimal kind of diversions or difficulties in administering it.

Cambodia, being a new program, has been somewhat more difficult, but on the whole, the handling of the commodity import program has gone reasonably well.

Now, I will say that there is a certain portion of the imports in those countries which are not part of the commodity import program per se that is paid out of free foreign exchange available to those countries from other sources, some portion of which goes for luxuries.

Our observation in Vietnam particularly, and also in Cambodia, is that these amounts are not excessive. Of course, it is always very difficult to try to define what you call a luxury and what isn't. They do have some television sets in Vietnam, for example, and I guess those can all be classified as luxuries, but out of the total import bills for those countries, frankly it is our observation that the amount of luxuries has been minimal.

Senator McGOVERN. Mr. Nooter, would you challenge the source in the Arbuckle article here where it estimates that of \$75 million for the commodity import program in Cambodia, \$25 million is in excess of Cambodia's actual import need? Do you disagree with that?

Mr. NOOTER. Yes, I would challenge that. Our observation is that the requirement will be very close to the \$75 million—as the Secretary says, somewhere between \$70 and \$75 million that fiscal year, and that is based on very recent reviews of those requirements.

Senator McGOVERN. Could you estimate how much each of the countries, Cambodia, Laos, and South Vietnam, has imported from Japan or from other Asian countries? Could you have an estimate on that?

Mr. NOOTER. I can give you a rough estimate and we can also submit some figures for the record.

(The information referred to follows:)

INDOCHINA IMPORTS FROM JAPAN, AND TOTAL
(SUPPLIED BY AID)

[Dollar amounts in millions, c.i.f., calendar years]

	1968	1969	1970	1971	1971 (estimated)
South Vietnam:					
Total.....	\$681.0	\$853.0	\$779.0	\$825.0	\$760
Japan.....	140.0	169.0	80.0	106.0	102
Percent of total.....	21.0	20.0	10.0	13.0	13
Cambodia:					
Total.....	\$94.0	\$78.0	\$54.0	\$78.0	\$102
Japan.....	24.0	26.0	10.0	6.0	9
Percent of total.....	24.0	33.0	19.0	7.0	9
Laos:					
Total.....	\$31.0	\$52.0	\$56.0	\$41.0	\$38
Japan.....	3.2	10.2	8.4	7.8	4
Percent of total.....	23.0	20.0	15.0	19.0	11

¹ Licensing.

Generally speaking, in the last couple of years, Japanese imports in all three, Cambodia, Laos, and Vietnam, have run somewhere in the neighborhood of 10 to 15 percent of their imports. I can supply more precise figures for you for the record. It varies a little in each country, but in each case it is within that range.

I just want to say, Senator, that we are very conscious of that problem and try to help those countries design their exchange programs to channel the maximum amount of their imports to come from the United States.

MILITARY AID SAVINGS FROM CAMBODIAN CEASE-FIRE

Senator McGovern. I have one more question to Mr. Tarr: On this matter we were discussing about aid, military aid to Cambodia, if we have a cease-fire fairly soon in Cambodia, would you estimate how much that would save us in military aid that would otherwise have to be sent to Cambodia?

Mr. Tarr. Senator, I can't give you an estimate off the top of my head, but I will say this, and that is that about 40 percent of that military program has gone for ammunition, and the degree to which there is no longer any fighting indicates that the expendables would fall off sharply. We are quite far along in the year, and so the 40 percent has to be cut down substantially, but there certainly will be savings with the cease-fire.

FORMS OF AID TO CAMBODIA AFTER CEASE-FIRE

Senator McGovern. Does that mean we continue other forms of military aid other than ammunition, if we get a cease-fire?

Mr. Tarr. My judgment now is that our program is based on an ammunition component and it would not be enhanced in another sense if the ammunition component were reduced.

Senator McGovern. That isn't what I meant. I mean would other forms of military aid be continued?

Mr. Tarr. That is what I mean. The amount spent for ammunition would probably not be spent on other things, but I assume you are asking would the other things come as well.

Senator McGovern. That is correct; that is right.

Mr. Tarr. And to some degree they would continue. These items have been ordered from American manufacturers; they are in the process of being shipped out to Cambodia. They are assigned to specific units that are part of their force structure. Probably the bulk of those items for the rest of the year will continue to be delivered.

Senator McGovern. So even in the event of a cease-fire, 60 percent of the military aid otherwise planned would continue to go forward.

Mr. Tarr. I would think that most of it would.

Senator McGovern. Thank you, Mr. Chairman.

The Chairman. Senator Javits.

Senator Javits. Thank you, Mr. Chairman.

SUBMISSION OF RECONSTRUCTION BILL AND POLICY TO CONGRESS

Mr. Secretary, especially in view of our budget deficits and many other problems, should not we be entitled to receive the total bill for reconstruction in Vietnam, together with the administration's policy respecting it, all at one time, so that we may come to a policy decision as to what we want to do?

When you use the word "Vietnam" in your statement, does it or does it not include North Vietnam?

Mr. TARE. Senator, in my statement wherever it says "Vietnam" it should say "South Vietnam." I am sorry I did not write it that way.

Senator JAVITS. That is OK. But is it a fact that the administration should submit to us a complete policy, together with a price tag so we know, now that there is a new situation, what this whole thing is going to cost and why we should do it?

Mr. TARR. Senator, I would hope that this is the procedure that would be followed. I would point out, however, that in the meantime, with reference to South Vietnam, there are some urgent things that need to go forward, such as the commodity import program without which the economy of that country could collapse. I don't know how long it will be before there will be a program that is suggested. That was indicated to you by the Secretary yesterday in his comments here. He mentioned to the chairman that he was quite willing to come up and discuss in executive session the formulation of these plans as they come to light. He did say, however, that he was not ready to talk about anything concrete yet but he was hopeful that when he was he could come up and talk to the committee about it. I would hope that the follow-on of that kind of discussion would be a program that the Congress would support. But meanwhile we do have these other essential things that I think we must do so that the economy can continue to survive, and have the potential for the development that we would like to see take place in the area.

TIME PARAMETERS OF STOP-GAP MEASURES

Senator JAVITS. Are we entitled to say to you, "What are the time parameters?" Aren't we entitled to say, "We will go with you on these stop-gap operations, which you say are essential, notwithstanding that you have got a new situation," but aren't we entitled to say, "That ends by July 1" or whatever date seems to us reasonable? Shouldn't we then have a right to say to you, "Are you going to bring us your plan and your rationale seasonably so that we can act in respect of some kind of terminal point for this ad hoc decision which you ask us to make?"

Mr. TARR. I think that is true, Senator, and I think that your logic is correct.

The rationale, however, for the program that we have submitted to you for fiscal year 1973 is that in all likelihood we will not be able to take action on the program that you foresee before the end of this fiscal year.

Senator JAVITS. So that you say to us at least the parameter is June 30, 1973. If you seek any money from us beyond that, do you feel that we have a right to say "No money beyond July 1, 1973, unless we know your plan and what it will cost and why."?

Mr. TARR. All that we have asked for would take us to the end of June 1973.

Mr. Nooter has a comment he would like to make, Senator.

Mr. Nooter. Yes, I have been involved to some extent in the planning. I would like to make this point, if I could. I understand the purpose of your question, but it is important to bear in mind this is a period of readjustment to some very significant events in that part of the world. At one time in our internal planning we were thinking more in terms of global amounts, 5-year periods, and so on, but as events have unfolded, it has become more and more apparent that there are many variables, many uncertainties, and the administration is reluctant to come forward, I think understandably, with what might look like a pat solution or pat plan until these uncertainties clarify. We will certainly take your point into consideration, but I would hope you would also bear in mind that events, many of which we won't have control over and which affect other donors, recipients, actions on the ground, and so on, will shape the course of the timing of this situation.

Senator JAVITS. Well, I appreciate that. I think we have to have our own problems in mind, and I believe that I would go with you for fiscal year 1973 but not for fiscal year 1974. If I am going to vote my constituents' money for fiscal year 1974, I want to know the bill, I want to know who it is going to cover, and I want to know why. Otherwise, I would not feel justified in doing it. I think this is the real answer to the budgetary problem.

When we are spending \$80 billion for defense, there is room, in my judgment, for spending money for what will avoid the use of that weaponry and give us the real capability for reducing it. But I think you have got to make a case for that. You have to have the policy and we have to see the connection. That is the reason for supporting assistance. That is why you call it supporting assistance and not economic aid.

So I would like to serve notice that I will go with fiscal year 1973 in some proper amount which you are testifying to but not for fiscal year 1974 unless I know what you are doing, how much it is going to cost and why.

Mr. Nooter. I hope we will be able to make a case to you for what we will need in 1974, when that time comes, in a way that will be convincing to you.

SUPPORTING ASSISTANCE EARMARKED FOR RECONSTRUCTION

Senator JAVITS. In the light of that answer, I direct your attention to your statement, Mr. Nooter, in which you say, speaking of Vietnam supporting assistance:

This will be particularly true because of the additional requirements for refugee resettlement programs, and the need to undertake the reconstruction of damaged bridges, hospitals, schools and health clinics. We believe that these costs can be accommodated within the \$844 million request during the remainder of this fiscal year, but not at the \$600 million continuing resolution level.

How much of that \$244 million do you earmark, according to that statement, for this reconstruction?

Mr. Nooter. Well, please bear in mind that unfortunately there is still military activity going on out there, but something in the neigh-

borhood of \$50 million would fall into that category for the balance of this year for things that can not be accommodated within the \$600 million level.

Senator JAVITS. You would hardly put that \$50 million in the line of sustaining the economy, would you? That is reconstruction.

Mr. NORTON. That is right. To some extent these are things that need to be done for the welfare of the people out there, in view of the current situation. It is a little hard to separate that operationally from on-going requirements because these are things that cost money; they do need to be done, and must be handled as best they can within the level of their resources.

POLICY DECISION INVOLVED IN RECONSTRUCTION FUNDS

Senator JAVITS. Nonetheless, the justification you give us for supporting the economy so it doesn't collapse does not extend to this. Aren't you then already making a decision that we are going to contribute materially to the reconstruction of South Vietnam? We would be making that decision now if we go with you.

Mr. NORTON. Well, in one sense, sir, we have been carrying on the rebuilding of damaged facilities during the past 5 or 6 years. I would call this sort of thing in the same category as what has been going on while the war was in progress.

Senator JAVITS. There is a very big difference. Our troops walked across these bridges and landed at these airfields and went perhaps to these other installations. Now there is a new situation. There is a peace agreement. We are out so what you are really telling us is that we not only have to maintain the continuity of the support of the Vietnamese economy, which is a big enough load, but we also are still in the reconstruction business.

Mr. NORTON. I am not critical, and I will tell you why. You fellows are administrators; you are doing a job. You don't set the policy; you recommend policy, and you represent the President. He sets the policy. We represent the Congress; we also set the policy, so we have a right to get the clear line of policy demarcation in this respect. We may give you the \$50 million. In the case of Bangladesh we thought you needed more money than what you asked for and we may think you need \$100 million for this. But we have a right to know; there is a clear policy decision we will be making.

You are starting on reconstruction. All I am trying to pin down is that I am not wrong on this, that you understand the situation.

Mr. TARR. Senator, could I help out with some specific figures here? Out of the \$800 million that we seek \$585 million would go to South Vietnam; \$426 million would go for the stabilization of the economy; the remaining \$159 million for these projects that you term as development, so this gives you some-----

Senator JAVITS. Order of magnitude.

Mr. TARR. Yes.

Senator JAVITS. That is fair enough.

But isn't this correct, that this does represent, even if just by inertial force the decision, that we are going into reconstruction. I know it is being carried on and the sheer weight of it, the sheer movement you go on with it. But for us, wouldn't you agree, in all fairness to the Con-

gress, this is a policy decision, that pending the bill and pending the rationale, and pending the who it is going to cover, North and South Vietnam, and so forth, we are going to make a temporary decision of policy, that you are still going to continue with reconstruction even though if we wanted to we can now say it is a new situation. We have pulled our troops out, and we will give no more help for reconstruction?

Mr. NOOTER. I understand your point, Senator, and it is a good one. I would like to differentiate though between those things which are of a more or less emergency nature required in the short run and similar to the kind of things we have done in the past where, for example, we have helped to resettle several millions of refugees while the war was going on, from what one might consider a rehabilitation and reconstruction program in a postwar sense with, hopefully, involvement of other donors and perhaps some different sort of organizational arrangements, and so on. There is a requirement, it is a real requirement, on the ground now. It is not what we would call part of the rehabilitation and reconstruction effort in the other sense. I would like to make that distinction.

ARE FUNDS NECESSARY TO MAINTAIN PEACE?

Senator JAVITS. Yes, but my friend, you see, there is where you touch the real raw nerve. If there is a requirement there also is a requirement for housing in Harlem and in Bedford-Stuyvesant and there is a requirement for a bridge or dam or some very essential projects in Arkansas and Missouri. If you are going to put it on a requirement basis, we will snow you with requirements. What we are trying to find out is: Do we have to do this in the interests of the peace and security of the United States, which is entitled, in my judgment, to an equal priority, even with urgent domestic needs? That is why I say what I do now—are you telling us that even on this interim program—

Mr. NOOTER. Yes, indeed, that is the message we hope we can convey today. We are fully aware of the competition with very important and urgent domestic programs. But continued economic assistance in Southeast Asia is part of maintaining the peace in that part of the world.

Senator JAVITS. We are talking now about reconstruction assistance. Secretary Tarr has already differentiated between economic assistance to sustain the economy from collapse and building roads, and bridges, et cetera. What about that; is that necessary to maintain the peace?

Mr. TARR. And also the refugees have to come in the other part, too—

Senator JAVITS. Refugees?

Mr. TARR (continuing). If you see what I mean, and that would be a part of it.

Senator JAVITS. And it is so mixed up in money that you can't separate it.

Mr. TARR. No, no, I think not.

Senator JAVITS. You can. Why don't you give us a specification, so we can come to a policy decision, of exactly what is encompassed under each heading in this statement that I read in terms of what

you are asking us to authorize. You are asking us to give refugee resettlement programs, whatever that is, and the reconstruction of "damaged bridges, hospitals, schools, and health clinics." Let's know what we are going to put out for each, OK?

Mr. NOOTER. All right, we will do that.

Senator JAVITS. And the rationale in terms of keeping the peace.

Mr. NOOTER. Yes, sir.

Senator JAVITS. May I ask unanimous consent that be included in the record?

The CHAIRMAN. Without objection, so ordered.

(The information referred to follows:)

ESTIMATED ADDITIONAL REFUGEE RESETTLEMENT, MEDICAL AND EMERGENCY REPAIR COSTS IN SOUTH VIETNAM NOT ABLE TO BE ACCOMMODATED AT THE PRESENT CONTINUING RESOLUTION LEVEL

(Supplied by AID)

Temporary relief costs for the large number of new refugees have been met, as a priority matter, out of funds available under the Continuing Resolution. Thus far, AID has provided \$30 million to help meet these costs, above the level of funds for this purpose contained in our original request to the Congress for FY 1973.

The cease-fire will allow resettlement of many of these refugees in the months immediately ahead. Their early return to their homes where possible, or resettlement in new areas, clearly is preferable to continuing relief programs in temporary camps and other sites.

The North Vietnamese offensive, begun almost a year ago, left substantial destruction in many villages, towns and smaller cities. General reconstruction of this damage lies off in the future. However, some short-term, immediate assistance, to help get hospitals and dispensaries back into operations, and to help restore potable water systems and electric power, is needed in the months immediately ahead.

	<i>Millions</i>
Refugee resettlement ¹ -----	\$32
Repair and/or replacement of medical facilities and equipment, additional medical supplies and support for the Ministry of Health-----	11
Emergency repair and reconstruction of public facilities and utilities in smaller towns and villages-----	5-10
Total -----	48-53

¹ Those returning to their home villages receive allowances to help tide them over until new crops can be harvested, as well as assistance in rebuilding damaged homes. Resettlement in new locations involves clearing land, installing irrigation works, drilling wells and establishing new homes.

Senator JAVITS. Mr. Chairman, I had one other line of questioning. I didn't wish to intrude on my other colleagues. May I have three more minutes?

The CHAIRMAN. It is not me you are intruding on; it is your other colleagues. Go ahead. Maybe we ought to have a 10-minute rule.

Senator JAVITS. I rather like that; I hope we will.

IS MONEY BEING USED POLITICALLY TO INFLUENCE COUNTRIES?

I have just one other question. I know a very interesting point in your statement, Mr. Tarr, and it is something the country ought to know about. You say:

Finally, we ask the members of this committee to agree to the elimination of restrictions on sales to Latin America. This paternalism no longer has a place in our relations with Latin American nations if in fact it ever had justifi-

fication. Brazil has become the 7th most populated nation of the world, with a rapidly growing economy that someday will make it a foremost power. Many other nations in the region are moving ahead rapidly. Most Latin American leaders seek normal trade relations with the United States, and we should be in a position to reciprocate. This restriction makes it impossible for us to fully do so.

Then you go on in another sentence, skip one or two and say, "Not only Israel, but a number of Arab states as well, are dependent upon security assistance."

You say in the sentence before—I rearranged this just to make the point—

The program reflects our attempt to lay the foundations for a negotiated settlement of the Arab-Israeli dispute.

The question I would like to ask you is this: In other words, is this money being used politically to influence these countries, to wit, in Latin America and Israel? Is that the implication of your statement, that we need this money because that is an inducement to make a peace or to have better relations with the United States or something like that or is there—or is the justification the maintenance of peace in the world?

Mr. TARR. Senator, I must confess that the chairman already has taken me apart on the terminology "paternalism."

I would like to answer the question in this way—we do not see these funds or the grants that come from the appropriation of these funds as a way by which we can buy any kind of leverage. We would rather view these programs as a way by which each of these nations can maintain their own advantage to bargain for peace in their area. It is not a "payoff."

Senator JAVITS. Good. I think that was essential for the record and I thank you very much. I thank the chairman.

RESTRICTIONS ON LATIN AMERICANS QUESTIONED

The CHAIRMAN. On that point, I would like to clarify. You say most Latin Americans seek to have normal trade relations. There is no restriction on them. What you are saying is, we ought to be an agent for them. This is not normal. You leave the impression that would leave the United States to wet-nurse them. I hope that is not normal, whatever else it may be. There are no restrictions. They can come here and buy as long as they have money; is that right?

Mr. TARR. Except for things in their army.

The CHAIRMAN. No. They can come buy it; they can go up to Chrysler, or General Motors, or anywhere else they can buy it. It's a question of our doing it for them, is what you are saying. I don't consider that normal. Maybe you do.

Senator PEARSON. Do you want to comment on that?

Mr. TARR. Well, Mr. Chairman, their sales for cash are limited also.

SUBSIDIZING BY LATIN AMERICAN PROGRAMS SUGGESTED

The CHAIRMAN. They have the cash. They can go out to McDonnell-Douglas and buy the planes. They don't have to use us. Under these programs, you are setting up to be their guardian angel—either give it to them if you want to, or give them a loan which you forgive later if

you want to, or give them anything you like. It is certainly not normal, I mean in the old concept of normal, before you became——

Mr. TARR. Well, Mr. Chairman, it is true they don't exist elsewhere in the world.

The CHAIRMAN. What does not exist?

Mr. TARR. These kinds of restrictions.

Senator SYMINGTON. These what?

Mr. TARR. These restrictions do not exist, for instance, in the Near East; they do not exist in the Far East; but they do in Latin America.

The CHAIRMAN. Of course. We would like to impose them elsewhere, but we couldn't get by with it. But they are not normal in any case. This whole program is subsidizing. I hope we don't get the idea that a subsidy program by the U.S. Government is normal trade relations. Senator Pearson.

PURPOSES OF PROGRAM

Senator PEARSON. Mr. Secretary, as I look down this chart and list of the nations and programs, I am constrained to feel that your initial response to the chairman as to the general purposes of this program must be more complicated than you stated. We have France, which has security problems, and it is in our national interest to help them. I assume you mean internal security problems as well as external security problems. Is that right? How else would you justify some 17 of these nations in the African continent?

Mr. TARR. Senator, there is no question that the internal problems in many of these nations are greater than the external ones are.

Senator PEARSON. Internal.

Mr. TARR. That is correct.

Senator PEARSON. Who makes the judgment whether the support of a given government or a given country is in our national interest?

Mr. TARR. Well, it is made both administratively and congressionally.

Senator PEARSON. I assume the President does that.

Mr. TARR. Well, ultimately the decision has to come to the President, whether a nation will be included in the program.

Senator PEARSON. To the Secretary of Defense, and to the Secretary of State.

The purposes of this program, I assume, also are, in a way, to supplement our national security, our own defense effort. Wouldn't that be true? I have reference now to the item here of \$9.5 million last year, and a request for \$14.5 million for this year, supporting assistance for Malta. I don't know what the jurisdiction is.

The staff handed me a newspaper article of about a year ago which indicated that we were going in with \$9 million to help pay for the cost of a naval base there where the British had withdrawn, where the Prime Minister of Malta had indicated if we didn't come in, the Soviet Union would. Is that the case?

Mr. TARR. Well, it may be the case with respect to the Soviet Union; we don't know. But with respect to the British, they have not withdrawn from the base and they continue to use it.

Senator PEARSON. Did we offer and provide \$9.5 million of supporting assistance in the 1972 fiscal year for a base that the British are now using?

Mr. TARR. Yes, in conjunction with other NATO nations.

Senator PEARSON. That was my next question. What was the contribution of the NATO nations in relation to a total bill, which I understand from this newspaper article was about \$36 million?

Mr. TARR. This is about right.

Senator PEARSON. NATO nations made up the balance.

Mr. TARR. Yes.

Mr. NOOTER. Yes.

CLASSIFIED DOCUMENTS RELATING TO SUPPORTING ASSISTANCE

Senator PEARSON. As one goes down this list, I must confess that, to my eye—which you may think is an uninformed eye—we are still coming down on both sides of international disputes in many parts of the world. I cannot understand, and I will read these documents, as to what the threat is to Afghanistan. In that regard I have here documents which relate to supporting assistance, both classified, one marked "secret," for military sales and military assistance. These came up last spring.

Are we to rely upon these documents as justification for these programs for these various countries, or are you going to update them in the light of new conditions around the world?

Mr. TARR. Senator, I doubt if we will reissue those documents for 1973. Some of the basic rationale in those documents still is good, but obviously times have changed dramatically, and they continue to change almost faster than we could upgrade the piece of paper.

One of the things that I would point out in nations like Afghanistan—and this is one of the things about our presentation in fiscal year 1973 that I think is misleading—is that more than half of the nations under the grant program are involved only to the extent that they send officers from their military forces here for training. Afghanistan is a country in point. They are involved in a very small training program, but we do not send them any military equipment under a grant arrangement.

Senator PEARSON. So if we want to make a judgment, country by country, this is a document we are going to have to rely upon. Is that right?

Mr. TARR. That is true.

Senator PEARSON. I thank the chairman.

(The following information was subsequently supplied:)

UNDER SECRETARY OF STATE FOR SECURITY ASSISTANCE,
Washington, February 23, 1973.

HON. JAMES B. PEARSON,
U.S. Senate.

DEAR SENATOR PEARSON: I welcome this opportunity to provide you with additional background and information on the Security Assistance Program. As you indicated during yesterday's Committee hearings on the foreign aid bill, it is necessary to sort out our priorities with respect to the many countries carried under security assistance.

I should like to point out that at least one-half of the countries listed under the grant Military Assistance Program receive no materiel support. In brief, many countries receive assistance only in the form of training, primarily at U.S. military facilities. For example, Afghanistan, Nepal, Mali, and Ghana are within the training only category. This program enhances the professional skills of trainees, often leads to close associations with American counterparts, and re-

sults in greater familiarity with American values and institutions. Consequently, we regard this training program, which costs between \$25-30 million annually, of particular importance.

With respect to grant military materiel assistance recipients, our program has as its essential purpose the bolstering of local capabilities to meet foreseeable defense needs. This is not to imply that the United States plans to assume the principal burden for every country's needs. As the President indicated in his Second Inaugural Address: "We shall do our share in defending peace and freedom in the world. But we shall expect others to do their share." Our materiel assistance, hence, is intended to be supplemental and to ease the transition of recipient countries to full self-reliance.

In determining how our military assistance should be allocated, we also must take into consideration treaty relationships, our military posture abroad, U.S. economic interests, and the extent to which our assistance can provide the foundation for political stability and economic progress in recipient countries. Thus, in responding to your request for a rank ordering of importance, you will appreciate that our priorities with respect to the request for FY 1973 funds have been based on the situation in Southeast Asia, the need to maintain a balance of force in the Middle East, and to modernize the forces of countries, such as Korea, as the U.S. military sales credit program is shaped by these same considerations, but, in addition, FMS is used to facilitate the transition of grant recipients to increased reliance on their own resources.

With respect to supporting assistance outside the Southeast Asia area, the principal recipient in FY 1973 are Israel and Jordan. As you are aware, existing legislation provides for a ceiling of 12 countries under the Supporting Assistance Program. We have recognized the need to remain within this ceiling and, indeed, hope to reduce the number of recipient countries over the next several years.

Attached is the rank order list that you have requested. If I can be of any additional assistance, please call on me.

Sincerely,

CURTIS W. TARR.

<i>Country</i>	<i>Proposed support (millions)</i>
Grant military assistance:	
Korea	\$235.0
Turkey	100.0
Jordan	45.0
Philippines	22.0
Indonesia	22.0
Ethiopia	12.0
Spain	10.0
Latin America	20.0
Tunisia	4.0
Foreign military sales credit:	
Israel	300.0
Turkey	15.0
Greece	58.0
Republic of China	55.0
Korea	25.0
Latin America	75.0
Supporting assistance:	
Israel	50.0
Jordan	40.0
Malta	9.5
Spain	3.0

The CHAIRMAN. Senator Griffin.
Senator GRIFFIN. Thank you, Mr. Chairman.

RESTRICTIONS ON SALES TO LATIN AMERICA

Secretary Tarr, I want to return to the subject about which Senator Javits questioned you. As I understand it, although I was not here, the chairman did also. It has to do with the restrictions on sales in Latin America.

As I understand it, the restriction which was imposed by Congress, first \$75 million and later \$100 million, does not apply just to the use of grant funds. It extends considerably beyond that; is that correct?

Mr. TARR. Well, it primarily relates to the sales program.

Senator GRIFFIN. Yes. Can you outline very briefly what those restrictions are?

Admiral PEET. The restrictions are on a number of different funds in Latin America, such as the aggregate total of grants (excluding training), foreign military sales (both cash and credit) and ship loans.

Senator GRIFFIN. Does it extend to where you have extended credit terms, and so on?

Admiral PEET. Yes, there are limits on credit terms which cover the total value of sales, not just the credit guarantee position. However, training is excluded.

Senator GRIFFIN. The point on which I want to focus is that the restriction does not apply just to the use of grant funds. Is that correct?

Admiral PEET. That is correct.

Senator GRIFFIN. It precludes favorable credit arrangements in the sale of military equipment.

Admiral PEET. It certainly limits the terms.

Senator GRIFFIN. Limits them.

EFFECTS OF RESTRICTIONS ON U.S. SALES IN LATIN AMERICA

What has happened in terms of sales by the United States in Latin America during the period since the Congress put these restrictions on? Can you provide some detail in terms of what has happened in regard to the percentage, say, of sales in Latin America?

Admiral PEET. Yes, it has drastically cut down our percentage share of sales.

Senator GRIFFIN. Would you have some ball park percentages?

Mr. TARR. Senator, in the last 5 years the Western European nations and Canada sold considerably more than \$1 billion in equipment to Latin America and we sold about one-third as much.

Admiral PEET. It used to be approximately the opposite before that.

CANADIAN AND EUROPEAN SALES TO LATIN AMERICA

Senator GRIFFIN. Do Canadian and European countries sell for cash when they sell military equipment in Latin America?

Mr. TARR. They do both.

Senator GRIFFIN. Do they to some extent provide more lenient terms than we do?

Mr. TARR. The terms, for instance, from the French Government are very similar to ours and it depends on the particular deal as to whether they would be more competitive than our terms. That simply is a case in point and, of course, the French Government is one of the large competitors in that area. I am not sure what the Canadians do, and I am not sure what the British do.

DROP IN U. S. ARMS SALES TO LATIN AMERICA

Senator GRIFFIN. The U.S. News & World Report, in a recent article which appeared in the January 22 issue, indicated that the United States formerly made 70 percent of the total arms sales in Latin America and now is down to about 6 percent. Would that be accurate?

Mr. TARR. I think that is too severe on the lower end, but I think that—

Senator GRIFFIN. There has been a very, very substantial drop as a result of the restrictions.

Mr. TARR. A great drop.

GETTING LATIN AMERICAN COUNTRIES TO CONCENTRATE ON
NONMILITARY PROJECTS

Senator GRIFFIN. I would assume part of the rationale on the part of those who advocated and supported this limitation was the—I will try not to use the word “paternalistic”—but the goal of getting these Latin American countries to concentrate on projects other than military, I take it. The restriction has been in effect; our total sales have gone down. Has it had that effect in Latin America?

Mr. TARR. Senator, I think a good case in point would be Brazil, a developing economy. For a long time we would not consider the sale of supersonic jet fighter planes in Latin America, and because we refused to sell aircraft to Brazil they bought Mirage aircraft. That, in itself, was of some consequence, but in addition to that we find now that we are not in as strong a competitive position as we would like to be for providing to the Brazilians the equipment that they are now installing or seek to install for air traffic control all over that great nation. There is no question but what there is a linkage between what we are willing to sell in terms of military materiel and our ability to be competitive in other fields as well.

Now, specifically with reference to your question: Is there any indication that these nations, because we would not sell it to them, have alternatively used it for schools and hospitals and other projects? That all of us would applaud. I think we have no evidence that they have in fact done so.

LATIN AMERICAN ARMS SPENDING

Senator GRIFFIN. In terms of their national budgets, and I am referring again to an article that appeared in the U.S. News & World Report, Latin American countries spend less of their gross national product on arms, about 2 percent, than any other region in the world.

Mr. TARR. I think that is true.

Senator GRIFFIN. Is that a reasonable statement?

Mr. TARR. We believe that that is true.

Senator GRIFFIN. So it is interesting that we have imposed this kind of ceiling or restriction then on only this part of the world; is that right?

Mr. TARR. That is true.

RESTRICTION'S IMPACT ON U.S. BALANCE OF PAYMENTS

Senator GRIFFIN. Has it had any impact on our balance-of-payments problem?

Mr. TARR. The impact that it would have on our balance of payments is that insofar as we sell things for credit we suffer no loss in balance of payments. But when the credits are repaid then we gain in the balance of payments. I think one of the things that is misunderstood about the military assistance program is that in very few instances, and those relate to certain expenditures under our supporting assistance program, there is nothing contained in them that hurts our balance of payments. Insofar as we collect on the credits for sales in future years, we enhance our balance of payments.

Senator GRIFFIN. Thank you.

The CHAIRMAN. Senator Symington.

STATEMENT CONCERNING CORRUPT PRACTICES IN CAMBODIA

Senator SYMINGTON. Mr. Secretary, you said you had a statement. Would you read that statement on my time, with respect to the Cambodian situation?

Mr. TARR. I am afraid we will have to have it back.

Senator SYMINGTON. OK, here it is. The statement clarifies a lot I was trying to find out about a situation that has worried me for some time.

Admiral PEET. Senator, this is an interim report. Obviously, we took the matter in Cambodia very seriously when we were out in the field:

In late December '72 various news media reported on a news conference given by Kheam Reth, the Information Minister of the Khmer Republic (Cambodia). At the conference, which was held to discuss government efforts to eradicate corruption within the civilian and military government, the Khmer government acknowledged it had been overpaying military commanders on monthly payrolls for soldiers who exist only on paper.

Rather than report on the government's efforts to eradicate corruption, the media reported on the more lurid aspects of the situation, thus creating the impression that the U.S. government was financing payroll padding and other corrupt practices. The facts are quite different.

The military situation in the Khmer Republic and Southeast Asia was responsible for the expansion of the Cambodian army from a strength of 35,000 men in 1970 to a projected level in excess of 200,000. The manpower, personnel and finance systems of the Khmer were based on French colonial practices and incapable of coping with this rapid force expansion. Possibilities for corruption existed on every hand. This corruption, however, was directed against the Khmer government and not the U.S. Both the Khmer and the U.S. governments were aware of the implications from the first. Failure to expand the force structure would cause the military situation to deteriorate. Failure to curb the corruption would cause economic collapse. The U.S. government chose to encourage the Khmer government in management actions, essentially to the establishment of effective manpower, personnel and finance systems. The Khmer government has been receptive to this approach to the problem and is rapidly moving ahead in implementation of these systems.

The United States was also moving to provide economic assistance to the Khmer Republic. Foreign Assistance Act, Title 1, Security Supporting Assistance, Commodity Import Program, and P.L. 480 Food for Peace programs, generated counterpart currencies for support of the Khmer national budget. The United States administratively retains some control over the portions of the budget to which these funds are applied.

It determined they should be applied to elements of the defense budget, primarily pay and allowances. It was thus able to encourage management improve-

ment under the implied threat of withholding release of these counterpart funds of the Khmer government.

The table following shows that the United States was supporting a significant but proportionately minor part of the Khmer defense budget. Therefore, the alternative of withholding support was never a practical consideration.

[Dollars in millions]		
	Fiscal year 1971	Fiscal year 1972
Cambodia commercial imports program.....	70.0	16.5
Food for peace program (80 percent country use portion).....	6.8	16.6
Total.....	76.8	33.1

[In billions of riels]		
	Calendar year—	
	1971	1972
Khmer defense budget.....	11.549	18.52
Counterpart generated and applied.....	1.745	5.43
Percent.....	15	2

These programs generated counterpart at a rate sufficient to support 15 percent of the Khmer defense budget in 1971, and 29 percent in calendar year 1972.

The "phantom army" has not yet been eliminated but the Khmer have appointed a new chief of staff and assistant chief of staff for personnel. They have begun institution of a uniform unit strength accounting system. They have defined units in the force inventory, dissolved and consolidated many units and established a finance structure to centralize payroll operations. We believe these and other actions underway will eliminate many of the corrupt practices of the past and contribute significantly to a sounder and more manageable defense budget.

COMPARABLE LAOTIAN SITUATION

Senator SYMINGTON. Thank you, Admiral. I would make a couple of observations. This follows the Laotian development; it is quite comparable. I have been to Laos many times. Based on what the papers say this morning about the deal made in Laos—putting it mildly—we could have made the same deal many years ago at a saving of billions of dollars and many lives.

MEDIA REPORTING

You mentioned that the media report more the lurid aspects of the situation. Time and time again, reporters in Laos and Cambodia have stated things first considered incorrect by State, which later turned out to be correct, by their own admission.

U.S. CONTRIBUTION TO KHMER DEFENSE BUDGET

You say a significant but proportionately minor part of the Khmer defense budget. The truth is, we are providing almost all the equipment and supplies, including ammunition. Earlier, I believe, Secretary Farr acknowledged we are supporting 50 percent of the defense budget. Thus, obviously, we should have quite a leverage if we are supporting

50 percent. Where would they get that 50 percent if they didn't get it from us? Nobody else is contributing any major fraction I know about.

OTHER COUNTRIES' ASSISTANCE TO CAMBODIA

Do you know of any other SEATO member contributing anything?

Admiral PEET. We are by far the largest contributor.

Senator SYMINGTON. Is anybody else contributing anything?

Mr. TARR. Senator, there are other contributions.

Senator SYMINGTON. Military?

Mr. TARR. No; they are economic.

Senator SYMINGTON. I understand.

Mr. TARR. The effect of that can filter into the military, but not of great consequence.

Senator SYMINGTON. I understand that. What percent would you say of the total contribution?

Mr. TARR. Well, of our planned \$75 million, we were going to put almost \$20 million into an exchange support fund.

Senator SYMINGTON. How much money, in percentage if you haven't it in dollars, have other countries contributed, roughly, to the military and economic assistance of Cambodia. That is my question.

Mr. TARR. Well, but, Senator, I was just going to read them off. Japan is \$5 million; Australia is \$1 million; less than a million, New Zealand, Thailand, Malaysia, and the United Kingdom.

Senator SYMINGTON. Thank you, Mr. Secretary.

LAST YEAR'S COUNT OF CAMBODIAN SOLDIERS

About a year ago, our people were told that in order to try to find out how many Cambodian soldiers there were, they directed the Cambodian Government to assemble their troops and take pictures so they could count them. Do you know the result of that count?

Admiral PEET. That is why I said this is an interim report. We are still very much involved in the investigation. It is a difficult thing to do.

Senator SYMINGTON. Do you know what the count was at the time they counted last year?

Admiral PEET. No, I don't, but I will find out.

Senator SYMINGTON. Thank you. Would you find it out and submit it for the record.

Our problem as we face this whole question of aid, further aid for Vietnam, is that now we are cutting heavily our programs in our own cities and suburbs, our REA programs, our support programs to the farms. We are getting, every one of us, many letters everyday saying "Why are we being cut out of these programs." This makes it important for us to find out what are the facts and figures, so we can justify it if we think it right.

Admiral PEET. I understand. I will furnish the information for the record.

(The information referred to appears on p. 87.)

Senator SYMINGTON. When we answer the letters and go back home. Thank you, Mr. Chairman.

JAPANESE AND AFRICAN DEFENSE SPENDING

The CHAIRMAN. Mr. Tarr, what percentage of the gross national product, which, I believe, was the figure that you used, does Japan spend on her defense?

Mr. TARR. I don't know, Mr. Chairman.

The CHAIRMAN. Do you know what the percentage of the countries below the Sahara in Black Africa spend on their defense?

Mr. TARR. I don't know that either, Mr. Chairman.

COMPARATIVE LATIN AMERICAN DEFENSE SPENDING QUESTIONED

The CHAIRMAN. Why did you say positively awhile ago that Latin America spends less than anybody if you don't know? You left the impression that you did know, and you left the impression that in some way or other Latin America was being seriously discriminated against. Yet you don't have any idea what other countries or other areas are spending on their defense.

Mr. TARR. Mr. Chairman, you don't have to know the exact figures. The point has already been represented to you.

The CHAIRMAN. Approximately.

Mr. TARR. This is already so and you believe the people who represented it to you are correct.

The CHAIRMAN. Japan spends eight-tenths of 1 percent. I must say that I think you should say you don't know if you don't know and not mislead either the committee or the public that in some way or another Latin America is spending less than anybody else on defense. Latin America is a very poor area; isn't it? They have very low per capita income. Nearly all of those countries are considered undeveloped. I think Venezuela, with their oil, has some wealth, but even Brazil, with its enormous resources, is not a very wealthy country yet; is it? It is not a developed country.

Mr. TARR. No.

The CHAIRMAN. Do you know what the per capita income of Brazil is? It is in your presentation books if you want to look at them. But all of them are low, aren't they, compared to what we call Europeans or the United States? Is that not correct? Won't you agree to that?

Mr. TARR. Mr. Chairman, I am sorry I just don't have all the material on what the per capita income is.

The CHAIRMAN. I don't mean precisely. Isn't it general knowledge that a schoolboy knows they are poor countries?

Mr. TARR. This is true. We show as a figure for Brazil, \$513.

The CHAIRMAN. That is pretty low.

Mr. TARR. Per capita income.

The CHAIRMAN. As compared to ours. What is ours? Do you know what the United States is?

Mr. TARR. Nearly \$4,000.

ENCOURAGING LATIN AMERICANS TO BUY ARMS QUESTIONED

The CHAIRMAN. We have been giving them economic aid. Brazil owes us I don't know how many hundreds of millions of dollars. Do you think we ought to give them economic aid and then also en-

courage them to spend their money on arms? Are they threatened by any external threat that you know of?

Mr. TARR. Mr. Chairman, I think that the issue is, if they are going to buy them should we make it impossible.

The CHAIRMAN. Should we take advantage of them and encourage them to buy arms? Do you think that is—

Mr. TARR. If they are going to buy pieces of equipment, should American manufacturers have a chance to sell them?

The CHAIRMAN. We maintain these MAAG (Military Assistance Advisory Group) missions down there trying to persuade them to buy arms up to the limits. Of course we do, even to countries that don't even have an army. Don't we have a MAAG mission in Costa Rica?

Mr. TARR. No.

The CHAIRMAN. We did have one. When did we take it out?

Mr. TARR. Well, we have military people in our Embassy, I am sure.

The CHAIRMAN. The purpose, as I understand it there, was to help sell arms. I had never seen this program justified on the ground that we should become an arms salesman in order to balance our payments, especially in an area where we have other responsibilities. We have very large private investments in Latin America, don't we?

Mr. TARR. We certainly do.

The CHAIRMAN. When they have civil wars or even wars among themselves, those wars are very much against our interests; aren't they? Wouldn't you say they are? So I thought the policy has generally been that we do not encourage other countries, at least in Latin America where we have a special responsibility. I would exclude the Middle East where we have armed Israel more than anybody else. Incidentally, the planes that just shot down that airliner, were they American planes we had given to Israel?

Mr. TARR. The plane that shot it down?

The CHAIRMAN. Yes.

Mr. TARR. I have not seen a report on it.

The CHAIRMAN. They are likely to be because they are F-4's.

Mr. TARR. And Mirages.

The CHAIRMAN. They bought some Mirages a while ago. It is rather ironic to shoot down civilian planes, isn't it? It is something like supplying our arms to Pakistan to attack India. The committee had in mind trying to minimize, or not to encourage, at least, the over-militarization of these countries. In other words, we have tried to encourage them not to follow our example. That is what the committee wanted at least in putting in these limitations. Incidentally, the military group in Costa Rica—as of the 25th of January, 1973—is four, for your information.

Mr. TARR. Excuse me.

The CHAIRMAN. The military group in Costa Rica on January 25, according to this document from the Office of the Assistant Secretary of Defense, International Security Affairs, signed by Mr. Kendall, numbers four. Costa Rica is a country that has no army. I have always been rather amazed why we would maintain an establishment of four in a country that has no army. I think your prospects of loading them down with any armaments are not very great.

You have 289 in the military groups in Latin America, which is quite substantial, it seems to me. You have 35 in Venezuela where, of

course, we have a very great leverage on account of our economic interests there. We have 49 in Brazil, 29 in Argentina. Of course, these military dictatorships like this.

But I had thought, and I would say, speaking so far as I am concerned, the policy of this Government is not to encourage arms sales for the purpose of enhancing our balance of payments. If it comes along and the countries can afford it, that is one thing. But to give a country economic aid, and then have them waste their money as we have on military affairs, I didn't think made sense.

INCREASE IN CEILING AND REQUEST FOR UNLIMITED WAIVERS QUESTIONED

You have asked to increase the ceiling from \$100 million to \$150 million; haven't you? You have also asked for unlimited waivers. Is that not correct?

Mr. TARR. The answer is yes.

The CHAIRMAN. Unlimited waivers. So that, in effect, you are asking us to take off any limit at all. Aren't you?

Mr. TARR. And make Latin America like the rest of the world.

The CHAIRMAN. But Latin America doesn't happen to be like the rest of the world. She is not like Japan. Japan spends much less. We don't, of course, put in restrictions because Japan has all the money she wants and there is no restriction on her.

Mr. TARR. But you have—

The CHAIRMAN. You say the rest of the world. We have restrictions on Africa which is another very poor area. Obviously, we don't try to restrict France or Germany. We don't give them aid. There is no responsibility, no relationship at all. Africa is the nearest to it and we restrict Africa. What is the limit on it?

Admiral PEET. \$40 million, including training.

The CHAIRMAN. \$40 million, much less than Latin America.

EXERCISE OF WAIVERS UNDER FOREIGN MILITARY SALES ACT QUESTIONED

Now you are asking for unlimited waivers. The Foreign Military Sales Act requires that as a precondition to Government arms sales to a country, that the President find that sales to that country would, and I quote, "strengthen the security of the United States and promote world peace."

On January 2, 1973, the President found that arms sales to a total of 91 countries and three international organizations met those criteria. How would you say, or how do you describe to us, that sales of arms to countries like Haiti strengthen the security of the United States and promote world peace? He waived the conditions on Haiti. I assume he did it at your request—that is, at somebody's request. He probably didn't initiate it himself.

How did he justify it? How did you represent to the President that this strengthens the security of the United States and promotes world peace and, therefore, you recommended that he exercise his power of waiver with regard to Haiti? How does that do it?

Mr. TARR. Mr. Chairman, unless a nation is on that list, they are not able to buy any of these items that they might want—a spare part

for a truck or an airplane, one piece of munitions for their police force—nothing unless they are on that list. I don't want to convey the impression that we operate without a sense of responsibility, because we have a munitions control group in the State Department which labors long and well, I think, to try to determine what is in the best interests of the United States.

On the other hand, when these requirements are set down in the law, they are—of necessity, I suppose—without flexibility, and we are simply asking for some flexibility to use our own good judgment.

The CHAIRMAN. You, of course, know this applies only to Government sales. They can go buy their trucks or anything else on their own without any restriction. This is only Government sales we are talking about. Is that not right?

Mr. TARR. It—

The CHAIRMAN. Is that not correct? What is your answer? Just say yes or no.

Mr. TARR. Yes.

The CHAIRMAN. Yes. If you don't need the waiver, if it is within the amounts, you don't have to have this bother, but the law says that to exercise the waiver, the President must find it strengthens the security of the United States and promotes world peace. Did you find that, or can you find that, with regard to selling something to Haiti? How would it strengthen our security, really? Do you really take these provisions of the law seriously, or not?

Mr. TARR. Well, of course, we take them seriously.

The CHAIRMAN. Did you know that was in the law?

Mr. TARR. I knew it was in the law and obviously we take it seriously but—

WAIVERS OF ARMS SALES PRECEDENT QUESTIONED

The CHAIRMAN. You waived it on 91 countries. Do you really think all 91 of those sales by the Government now, are important to the security of the United States?

Another country like Mali—Do you know where Mali is and how do you think that would strengthen our security? Why does the Government want to sell arms to Mali, with a waiver, I mean. I don't mind selling them if they want to come buy them in the normal course of commerce, but this is a Government program. It is really a subsidized program.

Mr. TARR. Well, but it is true that some of these items are only available on a government-to-government basis. In other words—

The CHAIRMAN. What kind of items?

Mr. TARR. There are some, well there are many items that are not available for sale at Chrysler or at General Motors or any of the others.

The CHAIRMAN. You mean the highly sophisticated, classified ones like the ABM or something like that. Now, really, do you think Mali is going to want something so sophisticated that is not available?

Do you know what the per capita income of Mali is? Really, this kind of gets absurd when this great country goes around and tries to hawk off these weapons on these little countries and hold out a cabbage to them and say, "Look, if you buy weapons we will give you

economic aid. If you will buy \$10 million worth of these tanks or these revolvers,"—they usually are the obsolete ones they want to get rid of—"why, we will give you \$10 million in economic aid."

That is about the way it has been working. That is the reason why the committee wanted to put some limitations on the sale of arms to these very poor countries and that is the only reason. We didn't try to limit the sales to Japan. She can make them herself anyway. She doesn't have to buy them from us. But you seem to think this is such a great restriction. If you are going to challenge the committee you ought to come up and say we need this to balance our payments and let us decide it. The Congress may well go along with you. There are a lot of Members, but it ought to be done on that basis and not on the basis that it strengthens the security of the United States and would promote world peace, which the law says. Then you come up and you really, in effect, are saying that it is because we need the money.

I will grant you we need the money, but I don't think the best way to get it is to load all these poor countries down with arms that they don't need.

Mr. NOOTER. Mr. Chairman, if I could make one comment for the record.

The CHAIRMAN. Sure.

USE OF ECONOMIC PROGRAM TO SELL MILITARY EQUIPMENT QUESTIONED

Mr. NOOTER. I served in several of these countries overseas and I have worked in both the economic and the supporting assistance part of the AID program, and I am not aware of our using the economic program to sell military equipment. If there are instances, I certainly am not aware of it.

The CHAIRMAN. Money is fungible. I mean you don't follow a dollar. If you give them a dollar, it disappears in the bank and you don't know whether that is the same dollar or not.

You can't say that about a commodity, which is like money. You will admit a great many of those 91 countries on which you have waived this provision get economic aid or some kind of aid; don't they?

Mr. NOOTER. I am certain some of them do.

The CHAIRMAN. Not some of them, the majority of them, if not all of them. I have not checked all of them, but I would guess the majority of them.

Take Mali, that great country. One million dollars of economic aid is given to them so you want to sell them some arms, I guess, to get that million back.

REQUEST FOR INCREASED CEILING ON EXCESS MILITARY ARTICLES

You also in this new request ask to increase the annual ceiling on excess military articles that can be given away without a charge against the MAP appropriations. Do you ask that it be increased from \$185 to \$245 million in section 6? Why do you do that? What is the justification for that, Admiral?

Admiral PEET. I am sorry, I missed the question.

The CHAIRMAN. Any one of you can answer. I am not asking Mr. Tarr to answer them all.

Admiral PEET. I was distracted by a request for the statement. Please repeat your question.

The CHAIRMAN. You urge the committee to increase the ceiling on excess military articles that can be given away without any charge against the MAP appropriations. You ask that it be increased from \$185 to \$245 million.

Admiral PEET. I understand.

The CHAIRMAN. How do you justify that?

Admiral PEET. Mr. Chairman, our policy is to eliminate grant aid to foreign countries wherever possible as we move toward FMS sales. This we think is a policy that is in the best interest of this country. To enable countries to do this more easily, we use our excess defense articles to fill in the gap and to make this transition better and easier on the countries. It is easier on their economy, easier on their budget, and so on, and we feel when we have all these restrictions it is very difficult to come up with a good sound program that is in the best interest of the United States. That is why we are asking for relief in some of these restrictions.

The CHAIRMAN. I know you don't like any restrictions. The executive branch doesn't like any kind of restriction whatever in any field. That I accept; I accept that.

Is that all you can say. You just don't like restrictions? You can't make any specific justification for increasing this from \$185 to \$245 million? Can you or, I mean, if you can, will you? I accept the idea that you don't like restrictions of any kind; so we won't argue about that. You are not the only ones; it is every department.

Admiral PEET. Yes, Mr. Chairman, I want to manage it in the best interest of the United States as I am sure you do.

The Chairman. That is right. The Congress heretofore had believed it had some responsibility to help determine the best interests of the United States.

Admiral PEET. When there are restrictions on the number of excess defense articles, when there are restrictions on the number of FMS cash sales, FMS credit sales, and so forth, it adds up and the first thing you know we have no leeway.

The CHAIRMAN. I want to tie it down to this. The general proposition we agreed on, I guess. The limit now is \$185 million. Why do you need \$245 million? Have you made any estimate of what has happened? What is the reason to raise it to \$245 million. That is a narrow question. Can you give me that answer?

Admiral PEET. It is a very complex subject and involves many, many factors. I could not answer that question in a few moments.

The CHAIRMAN. Then the answer is you can't give me any justification.

Admiral PEET. Not now within the time—

The CHAIRMAN. Can either one of you other gentlemen?

What puzzles me, you see, is that the Defense Department's latest estimate, fiscal year 1973, excess stocks at value specified in section 8(c) of Public Law 91-672 in thousands, comes out to exactly \$185 million. Did you have some estimate more than that? According to this you have all you need.

Admiral PEET. Mr. Chairman, these figures all get so distorted as far as Vietnam is concerned.

The CHAIRMAN. These are your figures; they are not my figures.

Admiral PEET. No; but you have to understand what they represent. It isn't something that is that simple that the answer is just yes or no or black or white.

JUSTIFICATION FOR INCREASED CEILING ON EXCESS DEFENSE ARTICLES

The CHAIRMAN. I didn't ask you black or white; I asked you to say anything you want to about it. I was trying to limit it to where—

Admiral PEET. We have rationale on this subject in the CPD (Congressional Presentation Document) that was presented at the beginning of this year. The information is out of date at this point, but it goes into this in detail.

The CHAIRMAN. That was the latest thing. This came to us this year from the Pentagon.

Admiral PEET. The initial request came in at the beginning of the fiscal year when we were attempting to get this budget. Now we are more than halfway through.

The CHAIRMAN. We received this 3 weeks ago. This is from the Pentagon. We only received it 3 weeks ago.

Admiral PEET. You mean for fiscal year 1973. I will provide the information for the record.

(The information referred to follows:)

RATIONALE FOR REQUESTED INCREASE IN EXCESS DEFENSE ARTICLE CEILING

(Supplied by Department of Defense)

The executive branch requested the increase in the world-wide ceiling on excess defense articles from \$185,000,000 to \$245,000,000 for the fiscal year 1973 because the fiscal year 1972 ceiling which did not apply to South Vietnam was inadequate to cover the anticipated needs of South Vietnam during the fiscal year 1973. Pursuant to section 8(e) of P.L. 91-672, the ceiling became applicable to South Vietnam on July 1, 1972.

The CHAIRMAN. Yes, on these excess stocks. This is your estimate of the requirements and it gives each country all the way down. My goodness, I don't know how many countries. I have not counted them, a lot of these poor ones.

Senator Percy, do you have any questions?

AMOUNT REQUESTED FOR PUBLIC SAFETY PROGRAMS

Senator Percy. Yes. I have, Mr. Chairman. I am sorry I had other committee meetings and could not be here earlier.

How much money is requested under the Foreign Assistance Act this year for public safety programs?

Mr. NOOTER. There is an element of public safety in the supporting assistance requirement. I will go through here and add up the numbers for the several countries involved. My estimate would be that it would be in the neighborhood of \$20 million. Perhaps, let me give you something more precise for the record.

Senator Percy. All right. Could you also supply for the record a list of the countries and the amounts for each country?

Mr. NOOTER. Yes, we will do that.

(The information referred to follows:)

Public safety programs funded from security supporting assistance—Fiscal
year 1973 congressional presentation

	(Supplied by AID)	Millions
Vietnam -----		\$ 6.8
Laos -----		.5
Thailand -----		4.2
Total AID -----		¹ 11.5

¹ In addition, the Department of Defense will provide police commodities to Vietnam in fiscal year 1973 at a cost of \$12 million.

Senator PERCY. I would appreciate your assessment of the value of the public safety programs.

Mr. NOOTER. If I could clarify the objectives of the public safety program. Included in this request today are only those public safety programs for the countries where we fund the economic programs with supporting assistance. There is one in Vietnam, Laos, and Thailand. The public safety programs funded in the other parts of the world are funded under the technical assistance category and are not included in this request.

In the countries that are at issue today, of course, civil law has been a very important factor, particularly in Vietnam, in trying to maintain order in the countryside at the village and at the hamlet level, and we think it has been a very important part of that program. Now, under the cease-fire agreement our public safety advisers will be withdrawn from Vietnam.

PUBLIC SAFETY PROGRAMS IN COUNTRIES UNDER MARTIAL LAW

Senator PERCY. Are we providing equipment and training assistance for public safety programs in countries that are now under martial law?

Mr. NOOTER. Well, that would be outside of my purview. That would be in countries not under consideration here today in the supporting assistance request. But also I am not certain which countries you put in that category of martial law. There is a term of art involved there.

Senator PERCY. You can put a number of Asian countries in that category, certainly Korea, and, at present, the Philippines.

Mr. NOOTER. Those countries aren't under my authority, but I believe we do have public safety programs in Korea and the Philippines.

Senator PERCY. Do you feel that when we fund public safety programs in countries where civil liberties have been curtailed, that we may put ourselves in the position, over the long run, of becoming associated with programs which repress the very liberties on which our own country was founded and in which we believe so strongly.

Mr. NOOTER. Well, I believe that depends on what is going on in that police force and in that country, and it is hard to generalize.

Our objective is to provide a civil arm of government which operates in a humane and competent manner because frequently the police force is the principal form of contact between the people of the country and its government. To the extent that our people's presence helps to make that police force operate more humanely and more justly and in accordance with programs of law then we think it has a real place in our programs.

Senator PERCY. Should it not be a cardinal principle that we should avoid getting into the problem of association with repressive measures? Would it not be best to let countries purchase such assistance, whether equipment or training, rather than receiving it as a gift?

Mr. NOORER. Well, these are always difficult and complex judgments. Let me point to one of the most difficult ones in my experience, which was the advisory assistance which we have been giving to the Vietnamese penal system.

As you know, a couple of years ago there was a great deal of publicity about conditions in the prison on Con Son Island. We had, and have had up until recently, prison advisers working with the Vietnamese. There was a great temptation to back off from those programs on the ground that we could then say, "We don't have anything to do with that." But it was our judgment that our people were helping to make those conditions better by being there, even though the conditions were not perfect, and in fact conditions have continued to improve since that time. Our people will be withdrawn, incidentally, as part of the withdrawal of public safety advisers in Vietnam now, and in that sense it will make my job easier, but I would have to say in that case it was a difficult judgment—do we want to take a chance of association with adverse publicity or do we want to try to improve the situation. I believe our judgment should be that where we think we can make a real contribution and where the people we are working with are being responsive, then we deserve to give that a try and see if we can't improve the situation.

Senator PERCY. Well, I think you are right when you say it is a complex question, which is why I have raised it. It bothers me and it must bother you as well.

FUNDING RECONSTRUCTION ASSISTANCE BY CUTTING MILITARY ASSISTANCE

Secretary TARR, do you feel there is any chance that the administration, in developing a reconstruction program for Indochina, could develop that proposal and submit it to Congress coincident with a reduction in our military aid programs, and to fund reconstruction assistance by cutting military assistance which should be less necessary in Indochina henceforth? This would seem a better solution than reducing domestic programs for the poor.

Is it possible as we go into a peaceful period now—a period of negotiation, not confrontation—to start cutting back military aid in order to finance reconstruction?

Mr. TARR. How the arithmetic would work out I am afraid I could not make a guess at this point. However, if you combine both the Foreign Assistance Act, that part that is military related, and the request for MASF funding, that were put together before the cease-fire, there obviously is some flexibility.

If these two budgets are placed together there obviously is some flexibility in light of the changed situation. Furthermore, I would hope that a program that affects the countries of Indochina when it is brought to this committee and the Congress generally would be a program that would take the place of some of the activity we have carried on up to now.

The support program for commodity imports in Vietnam is a case in point. I am not sure that this will be the case, but I would guess that if a program can be presented for Indochina, that it would take the place of the program that we now have in supporting assistance, so there are sources of funds for at least some of this activity, but the magnitude is something that I cannot speculate on right now.

EFFECT OF VIETNAM AND LAOS AGREEMENTS ON MILITARY ASSISTANCE

Senator PERCY. Our military related aid program in South Vietnam has been running at roughly \$3 billion, including aid funded through the DOD budget. Only a small part of this, \$53.4 million for excess defense articles and \$585 million for AID supporting assistance, which are not insubstantial sums except in comparison to total military aid, fall under the Foreign Assistance Act.

What effect will the Vietnam and the Laos agreements have on military assistance, such as the training of military personnel or support for paramilitary groups, including security forces and police? Would you see substantial reductions in our military-related aid as a result of those agreements?

Mr. TARR. Well, I think the substantial reductions would come from a transition from a hot war to a period of a cease-fire and if, in fact, a cease-fire works then there are at the very outset considerable savings in ammunition, tremendous savings in ammunition.

Now, I don't really think that the savings in training will be that large a factor.

POSSIBILITY OF BRINGING MILITARY AID UNDER FOREIGN ASSISTANCE ACT

Senator PERCY. Now that we have two signed agreements and an international meeting coming up next week on these matters would you feel the time has come to bring all forms of future United States military aid to South Vietnam and Laos under the Foreign Assistance Act? I have in mind military aid to South Vietnam and Laos which is now being funded through DOD, and military and paramilitary assistance given to Laos under CIA auspices.

Mr. TARR. Senator, we discussed this point earlier. As perhaps you know, the President already has submitted a budget that continues to include these two countries under the service funding, but I pointed out to one of the gentlemen on the committee that the topic is actively being considered now, and I think the President has not yet made up his mind whether he would like to ask that the Congress continue this as a part of service funding or whether in fact he would suggest on his own that it now should become a part of military assistance. I think the decision has not yet been made.

FISCAL YEAR 1974 REDUCTIONS IN U.S. MILITARY AID TO VIETNAM AND LAOS

Senator PERCY. We are now limited by the Vietnam agreement to providing equipment only on a one-for-one, replacement basis. I would hope we could reach a point, and I would hope the international meeting next week in Paris would take this up, to consider whether a total embargo could not be placed upon military shipments into Indochina.

I am taking into account the fact that we moved in massive amounts of equipment before the cease-fire, and that there are more airplanes in South Vietnam, I understand, than pilots. Their future needs seem to be well provided for. What reductions do you and your colleagues with you today see ahead for U.S. military and security assistance programs to South Vietnam, and Laos, in fiscal 1974?

Mr. TARR. Well, I think we have no speculation to give you on this point, Senator, but I think our hopes are certainly not far from yours, and we look forward to a day when we can be preoccupied with the reconstruction of those areas either under our assistance or somebody else's or under their own initiatives so that they can restore themselves to the full benefits of peace.

I don't think, however, we could speculate on the degree to which that figure of something over \$2 billion last year to South Vietnam would be an essential component in our program for next year. I just am not prepared to speculate on that.

I know it is not an adequate answer to give to a member of the committee, but we in our work have not been all that closely associated with the service funding programs, and we know about them inferentially, but we are not that conversant with all of the items in those programs.

PARTICIPATION IN RECONSTRUCTION AID IN INDOCHINA

Senator PERCY. Would you comment on what participation in the reconstruction aid in Indochina you envision from the Soviet Union, China, and the Eastern European countries, who have participated in supplying massive amounts of war material to North Vietnam? What role will they take in the reconstruction program? If they want to take a role, how will we set up our machinery to work with them? Have we looked into this question?

Mr. TARR. I don't think so, and I do not think that we have any indication from those nations as to the degree to which they would like to be involved. I think there is real interest on the part of the Japanese to become involved, but so far as other nations are concerned, I am not sure.

Senator PERCY. Are we now actively encouraging and soliciting the support and help of other countries? The President is pretty much on record that \$7.5 billion would be required. I think it is now quite clear that he did not mean from the U.S. taxpayer alone, but as an international program. Are we taking the lead in encouraging other nations to participate and in helping to facilitate their participation?

Mr. TARR. I don't think we have prior to the meeting in Paris. In other words, I don't think that we have launched a concerted effort to solicit assistance from other countries as yet.

AID TO COMMUNIST CONTROLLED AREAS IN SOUTH VIETNAM

Senator PERCY. Could you comment on what we intend to do about aid to areas in South Vietnam that are controlled by the Communists? Will all U.S. aid in South Vietnam be funneled through the central government in Saigon?

Mr. TARR. I don't think that has been considered, sir.

EFFECT OF COALITION GOVERNMENT IN LAOS ON U.S. AID

Senator PERCY. Finally, what effect will the formation of a coalition government in Laos have on our U.S. aid program there?

Mr. TARR. I don't think that we have really discussed that at all.

Senator PERCY. I don't envy the job you have ahead of you. I ask some of these questions knowing there probably isn't an answer yet, and I wouldn't expect you to have answers to all of them. We have a very complex set of problems ahead of us, but it is a lot better to work on the problems of peace than of war. If we can put the same energy and creativity into solving these kinds of problems, I think we can find the answers.

CURRENT U.S. POLICY ON ARMS SALES

I was not on the committee in 1967 but was interested at the time in a vote taken by the committee to cut back arms sales programs. I would value your opinion on this. In its report on the AID bill that year, the committee said, "Current policies have resulted in U.S. furnished arms appearing in the hands of both sides in all too many regional disputes around the globe, sapping scarce resources which should be used for economic development and creating an arms merchant's image for this country which contrasts with our basic objective of promoting world peace."

Certainly we saw that in Pakistan and India, as well as in other situations.

Would you describe generally the current U.S. policy on arms sales to countries which, in our opinion, do not face a serious external threat?

I ask the question to learn whether the administration has updated its policy following this report issued several years ago.

Mr. TARR. The policy, insofar as I understand it, is that we have no interest in assisting nations to build forces for which they have no need whatsoever.

The needs may be external, and perhaps we could give Turkey as an example of these; the needs in other instances are internal, and quite obviously in few instances would a country whose problems are primarily internal have requirements as great as those who face a real external threat.

But back to the quotation from the report; I think it is interesting for us to observe that many of these developments go on without U.S. involvement, and that does not justify our involvement on that basis alone, but recently I learned that the first Mig-21 pilots have returned from their training to Bangladesh. I think most of us would question seriously the need in an area like Bangladesh for pilots of sophisticated aircraft like a Mig-21. Many people alleged it is only because the United States is involved in these things that problems like this occur. Well, here is a clearcut case where the United States was not involved at all. We have taken the position that this was not an area of appropriate involvement, and yet these kind of excesses do go on.

Senator PERCY. It is certainly a dilemma.

RATIONALE FOR U.S. INVOLVEMENT IN ARMS SALES PROGRAMS

I noticed a New York Times article of February 22:

Iran will buy \$2 billion in U.S. arms over the next several years. In some ways officials say the Nixon administration is returning to a policy of a decade ago when the Defense Department pushed foreign military sales so aggressively that Prime Minister Harold Wilson of Britain publicly deplored the high pressure salesmanship of the Americans.

Are we using high pressure salesmanship again now, in light of our fiscal crisis? Is this going to be one way we are going to try to solve the fiscal crisis? It might help us in one respect, but it might also once again be a diversion from a much stated policy of this administration that we want to go into an era of peace.

Mr. TARR. No; I think that the fundamental rationale for our involvement in these programs is not to enhance U.S. business opportunities abroad but is to fill the valid needs of nations for their own security. I think the chairman a moment ago was trying to investigate the point that the only rationale for many of these programs is for us to do business abroad. None of us will argue that business might not be a byproduct of our involvement for other reasons.

Now, the Defense Department position of sometime ago—you quoted in this article that we both read in the New York Times this morning—was partly the result of concern in the Department of Defense that larger sales of commodities might be made and thereby the research and development charges for these commodities might be spread over more units and, therefore, the cost of these weapons systems to the United States would be lower.

There is no thought whatsoever, to my knowledge, that we return to this kind of program.

I would simply like to state for the record that the reason for this program is not to enhance business opportunities abroad, although this might result from a sale here or there. The fundamental reason for doing this is to meet the valid security requirements of nations as we interpret them to be valid.

Senator PERCY. I would like to say that I ask these questions to indicate the complexity of the problem, and that we have to rethink many of the things we are doing now as we go into a new era.

COMMENDATION OF WITNESSES

However, I couldn't imagine this program being in more capable hands than yours and I would like to state my great respect for your own judgment and the way you have carried out your responsibilities. I have appreciated all the guidance and counsel you have given this committee and to me.

Mr. TARR. You are very kind, sir.

Senator PERCY. I have no further questions, Mr. Chairman.

QUESTIONS FOR THE RECORD

Senator PEARSON (presiding). Mr. Secretary, Mr. Nooter, and Admiral, there will be some further questions submitted to you by the committee. If you will respond to those in writing, we will make them a part of the record. We thank you very much.

Mr. TARR. Mr. Chairman, we will be happy to do so.

(The information referred to follows:)

COMMITTEE QUESTIONS AND RESPONSES OF MR. TARR, DEPARTMENT OF STATE

Question 1: Congress has been told that the Administration's objective is to phase out the grant military program and replace it with a straight line sales program.

(a) Do you have a definite timetable for making this conversion?

(b) If not, would you oppose an effort by Congress to set a timetable phasing out grant aid in two years, for example?

Answer: The President has made clear that our desire is to have other countries assume the primary burden for their own defense. Within this context, a reasonable balance must be struck between the economic and security objectives of these countries on the one hand; and, on the other, the likely impact on regional stability of failure to meet minimum security objectives. No all encompassing formula or precise timetable can be established for the transition of these countries towards self-reliance. In some instances, economic and local security considerations will permit early termination of grant materiel assistance; in others, a more gradual changeover is considered prudent to insure an orderly transition.

We would point out that the number of grant materiel assistance recipient countries is declining. We expect, for example, to "graduate" three in the FY 74 program, and several others in the years immediately ahead. On the other hand, we cannot predict with any degree of assurance the configuration of U.S. base rights requirements abroad. Moreover, while we are making strenuous efforts to foster a climate of accommodation in the international community, volatile situations exist in such areas as the Middle East. Thus, it would be difficult to predict what new demands could be placed on the grant program in the future.

Finally, it must be noted that approximately one-half of those countries listed as grant aid recipients fall into the training only category. In short, they do not receive grant military materiel assistance. We regard the training program as an invaluable instrument of policy, one which deserves separate consideration. Indeed, we believe that a reasonable case could be made for placing of professional military training on a footing comparable to the Fulbright-Hays Act.

Consequently, we do not believe that a 2-year deadline for termination of the program is prudent or wise.

Question 2: The economic aid we give to South Vietnam, Cambodia, and Laos is justified primarily on the grounds that they bear a heavy budgetary burden from supporting large armed forces.

(a) What will be done to reduce the size of the armed forces in South Vietnam, Cambodia, and Laos after the shooting stops?

Answer: All three countries recognize the burden that their large military establishments place on their economies and want to reduce them when the situation permits. In the case of Vietnam we would hope that discussions between the two South Vietnamese parties will lead to a troop demobilization. It is not possible, however, to predict the rate of reduction at this time.

In Cambodia there is no cease-fire and no formal negotiations. If and when a cease-fire is negotiated and implemented, we would expect that the size of the Cambodian Armed Forces will be reduced considerably.

Royal Lao Government will be anxious to reduce the burden of an unnaturally large armed force. The U.S. Government will assist in whatever way possible to bring about the transition with a minimum of disruption but the problem is essentially one for the Lao Government which will only begin the process when it is assured the external threat has diminished.

Question 2: The economic aid we give to South Vietnam, Cambodia, and Laos is justified primarily on the grounds that they bear a heavy budgetary burden from supporting large armed forces.

(b) How will the cease-fire be reflected in the amount of straight budgetary support we give them?

Answer: In the short-run there will be little, if any, budgetary saving in South Vietnam primarily because of the maintenance of force levels. However, in the long-run, assuming the cease-fire agreement is successfully implemented and demobilization will occur, we do believe the budget support can be reduced. It is not possible at this time to quantify the savings that would occur from such a force level reduction.

In Cambodia our economic aid is not designed to provide budgetary support but rather to maintain an adequate level of imported goods. If and when a

cease-fire is implemented and Cambodian exports increase, we plan to reduce our Commodity Import assistance accordingly.

There is no direct budgetary support in Laos. Through the Foreign Exchange Operations Fund (FEOF) the United States and other donor nations provide the resources necessary to stabilize the Lao economy which faces severe inflationary pressures as a result of the deficit financing to which the Lao Government must resort in order to meet wartime demands which greatly exceed available revenues. The need for this stabilization assistance will continue for the foreseeable future because even with the end of hostilities there will be heavy demands on the Lao Government, e.g., for refugee resettlement and integration of veterans into the economy as well as for normal civilian services, while the Lao Government will be able to reduce its military establishment only gradually.

Question 3: The Defense Department provided the Committee, at our request, with a table listing country-by-country allocations of military grant aid, credit sales, and supporting assistance. The table is classified, although the same basic information was given in an unclassified form last year—except for programs for a few countries in the Middle East.

(a) Why is this information classified?

(b) Will you declassify this information?

Answer: The data contained in the referenced table has been declassified with the exception of the column reflecting FY 1973 approved CRA levels. This column remains classified Confidential in that CRA allocations have not been divulged to the countries concerned.

Question 4: Please provide a status report on the implementation of Section 514 of the Foreign Assistance Act of 1971, including an estimate of the amounts expected to be received in FY 1973.

Answer: With the exception of countries specifically granted an exemption, all recipients of grant military assistance have agreed to make the ten percent deposit requirement. Seven countries, many of which are on the excess currency list, have been waived on the grounds that sufficient local currencies are available to meet all official costs without the ten percent deposit (Section 514(b)). In addition, three countries have been exempted on the grounds that military assistance is provided in exchange for the use of military bases by the U.S. (Section 514(c)(1)) and the President has exempted two countries on the grounds that this is important to U.S. national security (Section 614(a)).

In mid-November the first billings under the ten percent deposit requirement covering the period February 7 through June 30 were sent to 32 Embassies for transmittal to recipient countries. When full payment is made we will receive \$380,000 in local currency. The relatively small amounts subject to collection under Section 514 reflect the fact that nearly 80 percent of the FY 1972 program was ordered prior to February 7, 1972, when the new local currency deposit provision became law. Billings for the first quarter of FY 1973 were sent for transmittal on February 2, 1973. It is anticipated that total collections for fiscal year 1973 will be about \$11.2 million. This amount should be fully collected by the end of this calendar year. We have decided to bill training only countries in FY 1973 on an annual basis because in our opinion the added cost of quarterly collection for these countries (about 5 percent of total anticipated collections) exceeds our estimate of interest lost to the U.S. of annual billings.

Collections of local currency as of January 31, 1973, totaled \$81,107. In some cases, the recipients have requested a more detailed breakdown of the assistance furnished by commodity and military service. To a certain extent, these problems have delayed recipient local currency deposits.

Question 5: List all MAP recipients where the U.S. purchased local currency in FY 1972 and so far in FY 1973 to meet U.S. expenditures in those countries. Please indicate the amount purchased in each year. For the non-excess countries, what are our estimates for FY 1974?

Answer: The attached tables show the amount of local currency purchased by the United States in both FY 1972 and the first half of FY 1973 as well as projections for FY 1974 for each MAP recipient. The FY 1973 figures include purchases of local currency by civilian disbursing officers only. Figures for military purchases of local currency are not readily available at this time.

U.S. LOCAL CURRENCY PURCHASES IN TRAINING ONLY COUNTRIES

(In millions of dollars)

	For fiscal year 1972	1st half, fiscal year 1973 by civilian disbursing officers only ¹	Estimates for fiscal year 1974
Africa:			
Senegal.....	13.537	(?)	6.895
Zaire.....	.914	0.700	1.592
Ghana.....	.123	None	.597
Mali.....	.695	.270	.704
Latin America:			
Argentina.....	3.863	2.283	1.890
Brazil.....	23.200	9.992	13.380
Colombia.....	34.521	19.218	59.321
El Salvador.....	3.566	2.500	.819
Honduras.....	9.416	2.740	7.960
Mexico.....	7.049	3.349	6.928
Peru.....	6.526	2.915	13.750
Venezuela.....	5.894	2.475	4.190
East Asia and Pacific: Malaysia:	2.895	1.661	2.927
Near East/South Asia:			
Afghanistan.....	1.190	1.120	1.697
Lebanon.....	3.664	1.620	2.246
Saudi Arabia.....	2.396	1.420	1.150
Europe:			
Austria.....	7.251	3.260	3.640
Finland.....	1.300	.670	.246
Portugal.....	6.911	1.035	6.800
Total.....	134.911	57.228	136.732

¹ Estimates of local currency purchases by military disbursing officers not available at this time.
² Unavailable.

U.S. LOCAL CURRENCY PURCHASES IN MAP EQUIPMENT AND TRAINING COUNTRIES ¹
(In millions of dollars)

	For fiscal year 1972	1st half, fiscal year 1973 by civilian disbursing officers only ²	Estimates for fiscal year 1974
Africa:			
Ethiopia.....	13.304	2.970	13.021
Latin America:			
Bolivia.....	9.645	2.090	9.416
Chile.....	.616	.268	.668
Dominican Republic.....	13.008	.722	7.167
Ecuador.....	3.222	1.043	3.482
Guatemala.....	6.667	5.900	7.271
Paraguay.....	1.337	1.176	1.906
Uruguay.....	1.159	.289	.493
East Asia and Pacific:			
China.....	14.762	1.500	16.238
Korea.....	79.275	None	87.202
Indonesia.....	.517	None	None
Philippines.....	87.353	49.630	96.083
Thailand.....	89.190	6.420	98.100
Near East/South Asia:			
Jordan.....	2.150	.462	2.365
Turkey.....	5.558	None	8.715
Europe: Spain.....	59.710	2.200	65.680
Total.....	387.473	74.670	417.807

¹ U.S. dollars are used to purchase goods and services in Panama and Liberia. No local currency purchases are made in these countries.
² Estimates of local currency purchases by military disbursing officers not available at this time.

Question 6: How many recipients of U.S. assistance provide economic or military aid to other countries? Please identify these recipients of U.S. aid and indicate the amount they are providing to other countries.

Answer: Eleven (11) countries which are recipients of U.S. assistance have been identified as providing economic assistance, military aid, or both to other countries. However, this listing should not be regarded as definitive due to the paucity of available information regarding the assistance activities of Less Developed Countries (LDC's).

Israel and the Republic of China (ROC) have provided assistance to the greatest number of countries, multiplying the impact of their relatively modest programs through the use of technical advisors. Saudi Arabia is the largest donor in dollar terms, although the scope of Saudi assistance activities has been restricted in the main to the Arab world.

Following, by region, is a listing of recipients of U.S. assistance which have aid programs of their own:

EUROPE

Austria.—Austrian official economic assistance amounted to \$10 million in 1971. These contributions went largely to multilateral organizations such as the World Bank and United Nations programs.

Finland.—Finland's official development assistance, which consist exclusively of grants, amounted in 1971 to \$13 million. Contributions to multilateral organizations, mainly to the World Bank and United Nations, accounted for \$10 million of the total and bilateral assistance for \$3 million.

Spain.—Spain extended to LDC's in 1971 \$25 million in export credits, as well as making modest contributions to UN agencies. In addition, Spain rendered some technical assistance to Latin American and African countries.

NEAR EAST AND SOUTH ASIA

India.—India provided in 1971 and 1972 a sizable amount of aid to Bangladesh, chiefly in the form of commodity aid, and extended a new credit line of \$5 million to Sri Lanka (Ceylon). In addition, India has provided Bangladesh with military equipment and training, and has assisted in mine-sweeping operations.

Israel.—Israel is believed to allocate about \$10 million annually for foreign assistance, about half of which goes to African countries. All told, Israel has provided assistance to over 70 countries, including a few communist ones, principally in the form of technical assistance. However, the number of recipients of Israeli aid has declined in recent years, resulting in part from a deterioration of relations with some African countries of which a notable example is the case of Uganda. Israel also has a well-developed military sales system.

Jordan.—Oman and certain of the United Arab Emirates have received small quantities of surplus arms as well as military advisors from Jordan.

Pakistan.—Members of the Pakistani armed forces have served as advisors and technicians with the armed forces of Saudi Arabia, Kuwait, Abu Dhabi, and Oman. The level of this assistance declined during the 1971 Indo-Pak war, but is once again increasing.

Saudi Arabia.—Since the end of 1967, Saudi Arabia has made available some \$150 million annually in grants to Jordan and Egypt mainly for budget support. Saudi Arabia has also made or offered loans or grants to the Yemen Arab Republic, Oman, Pakistan, Tunisia, Somalia, Uganda, and other states with sizable Muslim communities. Total grants or loans from the Saudis since 1967 amount to nearly one billion dollars.

Greece.—Greece provided aircrew training to small numbers of Arab air force personnel at Greek facilities.

EAST ASIA

Republic of China.—The Republic of China follows Israel in terms of being active in the greatest number of countries, with technical assistance missions in 23 countries. This is a decline of 11 from the high-water year of 1970 when the ROC had technical assistance missions in 34 countries. In addition, the ROC has provided small amounts of financial support and arms to insurgent groups operating in countries on the periphery of the People's Republic of China.

SOUTH AMERICA

Brazil.—A newcomer among aid donors, Brazil is estimated to have provided economic assistance totaling \$70 million by mid-1972, with the largest recipient being Bolivia. Colombia, Ecuador, Peru, and Venezuela are also reported to have received assistance from Brazil. A portion of the \$13 million to Bolivia is reported to consist of surplus military equipment.

Question 7: Has the Executive Branch in the last two years dropped any countries from the list of those receiving grant military aid? If so, which countries? How much has been saved? Have any countries been added in this same period? At what cost?

Answer:

	Dropped	Added ⁶
Fiscal year 1972 ¹	Burma Sri Lanka Ecuador	None.
Fiscal year 1973 ²	Iran Greece ⁴	Sri Lanka, ³ Thailand. ⁵

¹ Assuming that the programs for these countries had continued at the level of the preceding year, the savings would have amounted to \$3,357,000.

² If the program had materialized as planned, we would have saved \$2,142,000.

³ Training only.

⁴ Although the fiscal year 1972 program as currently planned will be carried out, the effective date of Greece's curtailment of grant aid is Jan. 1, 1973.

⁵ Shift from MASF to MAP.

⁶ The fiscal year 1972 program for both countries is estimated at approximately \$30,000,000.

Question 8: Last year several Members of Congress proposed that funds be taken from military assistance to finance a naval training facility at Key West, Florida.

Did the Administration support that project? What is its current thinking about such a project? Is a training facility of this type needed?

Answer: The Administration did support the planning for the Naval Training Facility at Key West, Florida. However, during the budget review of submissions from all executive branch agencies, the decision was made by the Administration not to use the funds for the Key West Naval Training Facility in the interest of holding Federal outlays for FY 1973 to \$250 billion.

The U.S. Navy believes that a training facility of this type is needed. Latin American governments are purchasing ships, aircraft and other naval associated equipment as well as participating in Joint exercises with the U.S. Navy. This activity by the Latin Americans will create increasing demands for U.S. training and doctrine.

Question 9: How many naval training facilities does the U.S. Government support? Where are they and how much do they cost annually? Are these facilities available to Latin American naval personnel under the MAP Training Program? How many Latin American naval personnel have received training at these facilities? How many are currently enrolled?

Answer: The U.S. Government supports about 75 naval training facilities including professional training schools, specialized training facilities, flight training and the Service Academy, all in the Continental U.S.

Most of these schools are concentrated at U.S. Navy facilities on the East and West coasts. Total O&M funding for the schools is approximately \$255 million annually.

All facilities are available to Latin American naval personnel except those devoted exclusively to instruction on classified subjects in which the foreign navy concerned has no security clearance and/or no "need to know" (e.g., Nuclear Power School).

For the fiscal years 1964 through 1973 (projected) 4,882 Latin American naval personnel has received training at the CONUS facilities.

There are 72 students currently enrolled.

In addition to training being conducted in the United States, there is a small training detachment in the Canal Zone which trains approximately 150 Latin American personnel in basic naval skills annually.

Question 10: Please supply information concerning the total cost (by expense category) to the United States for South Korea's participation in the Vietnam conflict.

Answer: The cost to the United States for South Korea's participation in the Vietnam conflict is shown below:

[In millions of dollars]			
Cost category	Fiscal years—		
	1966-71 ¹	1972	1973
Military personnel.....		92.8	64.9
Operations and maintenance.....		55.7	47.1
Procurement.....		19.4	11.8
Total.....	1,417.9	167.9	123.8

¹ Breakout by expense category not available.

Question 11: Why isn't aid to Bangladesh funded out of the regular economic aid categories—development loans and technical assistance—now that the emergency situation brought on by the war is over? Why should one country be singled out for a special appropriation? Isn't this a way to get more money from Congress and spread the regular aid program further?

Answer: Aid for Bangladesh beginning with FY 1974 is proposed to come from the regular Development Loan and Technical Cooperation categories. The period from Independence through June 1973, approximately 18 months, was seen by the United Nations, and accepted by the United States and others, as a period of relief and rehabilitation on an extraordinary scale before more normal development activity, and financing, could be resumed. The scale of destruction and disruption and the urgency of the need were such that regular aid categories were not appropriate means of responding to pressing requirements.

The response by the United States and by others has been on an extraordinary scale, suited to the massive needs. Over \$1.1 billion has been committed so far from all sources during this transitional period, including some \$320 million from United States Government funds, both from P.L. 480 and from the special provision in the Foreign Assistance Act added at the initiative of the Congress. Aid at this generous level is neither required nor expected when, beginning with FY 1974, the unusual relief and rehabilitation phase is substantially completed and regular development begins.

Question 12: What is the current policy concerning military grants and or sales to Pakistan and India? Is any consideration being given to changing that policy?

Answer: Regarding South Asia, we have maintained the embargo on the shipment of military items imposed in 1971. This policy remains under review.

Question 13: It was reported recently that Greece has decided that it does not want any more grant military aid from the United States.

(a) Why did Greece take this initiative? Why didn't the Administration cut off grant aid if it was no longer needed instead of waiting for the Greek government to act?

(b) Will the homeporting arrangement with Greece bring in as much in dollars as we now give her in grant aid?

Answer (a) It is the announced intention of our government to reduce and ultimately eliminate grant military assistance programs as recipient countries become increasingly able to assume a greater share of the financial burden of their military requirements. We are in regular consultation with the GOG concerning the U.S. military assistance program as well as other matters of our mutual security interests, so they are naturally aware of the direction of our thinking on this matter. In particular, the Greek Government understood that we planned to terminate the materiel portion of our grant military assistance program for that country in the near future, and accordingly they decided to forego the small amount of such aid that they could reasonably expect to receive before the program's termination.

Answer (b) According to Department of Defense estimates, the recurring annual expenditures entering balance of payments computations and attributable to

the homeporting program in Greece will be about \$11.8 million. Grant aid programmed for Greece was \$20 million in FY 71, \$9.9 million in FY 72, and \$6.7 million in FY 73.

Question 14: Is it not true that the principle reason that such a high proportion of grant military assistance to the Philippines is being devoted to investment costs because of the inadequate funding in previous years by the Philippine Government of its own defense budget as a result of which the U.S. has had to pay higher "O" costs in previous years than originally planned and has had to postpone investment costs?

Answer: It is correct that the Philippine Government has had difficulty in providing sufficient funds to meet all of the requirements of its defense in previous years. This is primarily because the Philippine Government has chosen to devote a major portion of its available revenues to socio-economic programs. While the Philippines has budgeted its financial support for the Armed Forces and economic and social development projects as wisely as it can, the unfortunate fact is that sufficient funds to fully meet both objectives have not been available.

The United States Government has attempted to partially rectify this shortfall through our Military Assistance Program. It is in the U.S. national interests that the Armed Forces of the Philippines (AFP) be adequately equipped, maintained and trained because of the historic and continuing importance of the Philippines as a U.S. ally in the Western Pacific and because of the important role played by the AFP in preserving internal security and stability in the Philippines.

Successive Philippine Administrations have sought increased military budgets with varying degrees of success. The Philippine Government realizes that there will be an increasing requirement for higher appropriations for operations and maintenance costs as U.S. MAP expenditures for operations and maintenance are reduced in favor of a higher proportion of investment items in accordance with our current worldwide MAP policy.

This policy envisions that foreign countries should, wherever possible, pay the operations and maintenance costs for their armed forces and, that the most effective use of U.S. military assistance funds normally is achieved by provision of investment items such as aircraft, communications equipment, vehicles, patrol craft, etc.

Question 15: The Executive Branch request for military aid to Korea is for implementation of a Five-Year Modernization Plan. The Committee staff has attempted to obtain a copy of the agreement—or agreements—with Korea concerning this plan, but thus far without success. Will you provide the text of the agreements to the Committee?

Answer: Agreement with the Korean Government concerning the Modernization Plan was recorded in a joint statement (copy attached) initiated and issued on 6 February 1971, announcing the completion of satisfactory talks on modernization of the Korean Armed Forces and the reduction of U.S. Forces in Korea.

In the U.S./ROK Joint Statement the U.S. agreed to assist the ROKG in its effort to modernize its defense forces through a long-range military assistance program on the basis of joint U.S./ROK military recommendations. Consultations between the two governments on the reduction of U.S. troop strength in Korea by 20,000 and on the subsequent repositioning of Korean and U.S. troops also have been concluded in a spirit of mutual understanding and close cooperation. Reductions in the level of U.S. troops in Korea do not affect in any way the determination of the USG to meet armed attack against the ROK in accordance with the Mutual Defense Treaty of 1954 between the ROK and the U.S.

UNITED STATES-REPUBLIC OF KOREA JOINT STATEMENT ON U.S. TROOP REDUCTION AND KOREAN MILITARY MODERNIZATION

The Government of the Republic of Korea and the United States Government have completed satisfactory talks on the program for the modernization of the Korean armed forces and arrangements for the reduction of U.S. forces in Korea.

The United States has agreed to assist the Government of the Republic of Korea in its effort to modernize its defense forces, through a long range military assistance program on the basis of Joint United States-Republic of Korea military recommendations. The Korean Government notes with satisfaction that the United States Congress has approved \$150 million as supplemental funds for the first year portion of the said modernization program.

Consultations between the two governments on the reduction of U.S. troop strength in Korea by 20,000 and on the consequent repositioning of Korean and U.S. troops also have been concluded in a spirit of mutual understanding and close cooperation.

Reductions in the level of United States troops in Korea do not affect in any way the determination of the United States Government to meet armed attack against the Republic of Korea in accordance with the Mutual Defense Treaty of 1954 between the Republic of Korea and the United States.

Annual security consultative meetings to be attended by foreign and defense officials of both governments at a high level will be held to assess the nature of the military threat directed against the Republic of Korea. In such discussions, overall capabilities to defend against the threat will be evaluated.

Question 16: Was the so-called Five Year Plan for modernizing the Korean armed forces at a cost of \$1.5 billion the *quid pro quo* for Korean agreement to the withdrawal of a U.S. division from Korea? Why was a commitment of such magnitude made without prior consultation with the Congress?

If the Executive Branch does not consider this to be a "commitment" in the amount of \$1.5 billion, why were members of the Committee staff informed by Embassy officials during a recent visit to Korea if the Military Assistance Program for Korea for FY 1973 were fully funded, approximately \$570 million would be required to complete the Five Year Plan on schedule?

Answer: The Five-Year Plan for modernizing the Korean Armed Forces at a cost of \$1.5 billion was not a *quid pro quo* for Korean agreement to the withdrawal of a U.S. division from Korea. The modernization was not compensation for the 20,000-man force reduction but was simply a question of deciding what the Koreans needed to make them capable of meeting the threat from the North in light of the U.S. withdrawal. The program for modernization of the Korean Armed Forces is an objective program and subject to Congressional approval of the necessary funds.

Briefings were presented to the Congressional Staff, at their request, to reflect the status of the 5-year modernization effort. This briefing stated that if fully funded in FY 73, a total of approximately \$570 million would be required in FY 74-75 to complete the effort on schedule.

Question 17: If the Koreans require additional jet fighters under the military assistance programs, why did the U.S. Government insist that the Koreans turn over their present F-5A aircraft to the South Vietnamese?

Answer: Korea was one of three sources from which the U.S. Government required F-5A aircraft for transfer to South Vietnam to complete quickly the Vietnamization Program. We believe the rapid completion of this program was most significant in making possible a cease-fire in Vietnam and, in addition, plays an important role in our efforts to ensure a durable peace in the area. In return, one squadron of F-4's was bailed to the ROKG in order to restore the air defense gap created by transfer of the F-5A's. Within approximately 36 months, it is our intention to return these F-5A's to the ROKG or to replace them with F-5E's.

The additional F-5E's (referred to in the question) are required eventually to replace four squadrons of obsolete F-86 aircraft now in the ROK inventory. Replacement of these F-86's is an objective of the modernization effort.

Question 18: What is the requirement and the authority for the payment by the United States of "severance pay" to Korean troops returning from Vietnam?

Answer: The U.S. Government is not obligated to, and does not, pay "severance pay" to Korean troops returning from Vietnam. Under the Brown Memorandum of 4 March 1966, however, the U.S. is obligated to pay the net additional won costs for the "reconstituted forces": i.e. those forces set up in South Korea to maintain the defense capability of the Republic of Korea's armed forces following dispatch of the second Korean division to South Vietnam. These additional costs for the reconstituted forces do include severance pay.

Question 19: Is it true that research and development costs for a new coastal interdiction and patrol boat for Korea are being paid from MAP funds? Was authorization requested for this use of MAP funds?

Answer: The Coastal Patrol Interdiction Craft (CPIC) was conceived as a fast small combatant craft to provide Korea (and other nations) faced with high-speed seaborne infiltration and smuggling problems a capability to counter that threat. Development of the boat was to have been funded in the ARPA

RDT&E account. No other U.S. in-inventory or production boat satisfied the peculiar operational requirement that evolved from the Korea situation.

During testimony before the House Armed Services Committee (HASC) in May 1971, Dr. Lukasik of ARPA reported to the HASC that CPIC development was included as part of the \$10.0 million request for "Overseas Defense Research." The HASC report on the FY 72 Authorization Bill cut this \$10.0 million from the ARPA budget and stated "The Committee is of the opinion that this program should more properly be included in the Military Assistance portion of the Foreign Aid Bill." DOD subsequently reprogrammed MAP funds to meet the CPIC requirement. A total of \$4.95 million RDT&E for CPIC has been funded under MAP. Section 503(a) of the Foreign Assistance Act is the authority for providing this "defense service" under MAP.

Question 20: Is it true that the U.S. F-4 aircraft which were sent to Korea after the Korean F-5's were sent to Vietnam are being leased to the Koreans? Is it true that the costs of this lease are being paid out of MAP funds? What is the authority for the use of MAP funds to pay ourselves for the lease of these aircraft?

Answer: One squadron of F-4 aircraft was bailed¹ to the ROKG as part of the agreement that sent F-5's from the ROKAF to South Vietnam. Bailment costs are being paid from MAP funds in accordance with the requirements of section 632(d) of the Foreign Assistance Act, which requires that MAP reimburse a Military Department for assistance furnished under Part II of the Act by, or through, such agency in an amount equal to the value of the articles or services furnished, plus expenses arising from or incident to operations under Part II.

Question 21: The Committee was informed by the State Department and the Defense Department that the Koreans had agreed to absorb an additional \$210 million of their own operating and maintenance costs over the next five years. The Committee was never informed—and learned only through its own investigation—of a secret arrangement whereby P.L. 480 assistance is being used to "offset" over half of this cost. Was this necessary and why was this concealed from the Committee?

Answer: The P.L. 480 "offset" assistance was not a secret arrangement, and there was no intention to conceal this information from the Congress. The details on this offset program were given on more than one occasion to GAO investigators and, in fact, appear in Chapter 4 of a forthcoming GAO report on "U.S. Assistance for the Economic Development of Korea". Under the provisions of the Brown Memorandum, the "MAP Transfer Program" for Korea was suspended as part of the quid pro quo for the dispatch of Korean Forces to Vietnam. The P.L. 480 offset assistance was provided to the ROK to enable it to assume a larger defense burden by resuming the MAP transfer program. This was considered in the best interests of the U.S. Government.

QUESTIONS SUBMITTED BY SENATOR MCGOVERN AND RESPONSES OF MR. TARR,
DEPARTMENT OF STATE

Question 1: What is the Administration's current view on transfers of military supplies to Pakistan?

Answer: Our existing embargo precludes transfers of military supplies to Pakistan.

Question 2: What rationale could there be for restoring these transfers?

Answer: It is not presently possible to predict the specific changes in conditions which would lead to a lifting of the embargo.

Question 3: Could you supply information on any third country transfers of arms to Pakistan (within the terms of Section 9 of the Foreign Military Sales Act) since the moratorium on shipments was imposed?

Answer: The information referred to is classified and in the Committee files.

Question 4: How do the Indians feel about the idea of us resuming arms shipments to Pakistan?

Answer: As you know the Indians over the years have never been very happy about military assistance or sales by the U.S. to Pakistan. This point has been underscored in recent months on a number of occasions by Indian officials speaking in the Indian parliament and elsewhere.

¹ Bailed, i.e. "loaned" under the authority of section 503(a) of the Foreign Assistance Act.

Question 5: A distinguished new Ambassador to India, Mr. Moynihan, has just been appointed. Wouldn't any resumption of arms shipments place a terrible burden on him as he attempts to repair our damaged relations with India?

Answer: As we have already indicated, the question of resumption of arms shipments to Pakistan is a hypothetical one which I don't think is useful to discuss at this time. Our embargo on exports of military equipment to both India and Pakistan remains in effect while our review on this matter continues.

Question 6: Wouldn't any resumption of arms shipments encourage Pakistan's continued refusal to recognize Bangladesh?

Answer: An attempt to answer this would lead us into sheer speculation. Conceivably, with the psychological boost provided by a withdrawal of the embargo, Pakistan might feel itself strong enough to be demanding. Conversely, the boost might give it the confidence to accommodate more easily.

Question 7: In light of the recent history of the region, and the fact that India is, at least in terms of physical capabilities, the primary power in South Asia, don't you think a resumption of arms transfers to Pakistan could tend to destabilize the situation, rather than bring stability?

Answer: An attempt to answer this question now leads us again into speculation about hypothetical situations.

Question 8: What broad foreign policy objective would arms transfers to Pakistan help achieve--do we have a policy of attempting to maintain a military balance against a neutral country, i.e., India?

Answer: As we have already indicated, the question of resumption of arms shipments to Pakistan is a hypothetical one which I don't think is useful to discuss at this time. Our embargo on exports of military equipment to both India and Pakistan remains in effect while our review on this matter continues.

Question 9: I have recently seen a report that at the present time, U.S. aid accounts for some 90 percent of all expenditures of the government of South Vietnam, when all forms of assistance are considered. Could you comment on that?

Answer: That is a considerable overstatement. Direct U.S. budgetary assistance was 26 percent of the total South Vietnamese budget in CY 1970, 24 percent in CY 1971 and about 25 percent in CY 1972. This was provided through local currency generated by the sale of P.L. 480 (Title I) and some CIP commodities. Twenty percent of P.L. 480 sales is reserved for U.S. uses.

Import taxes are an important source of revenue to the South Vietnamese government. The U.S. helps to finance these imports through AID's Commercial Import Program. Further, the official U.S. purchase of Piasters, largely by the Department of Defense, for needed local goods and services, has been an important source of foreign exchange for Vietnamese imports. While this is not direct budget support, the import tax revenues were made possible, in large part, by foreign exchange resulting from U.S. activities and U.S. assistance. If this is added to the budget support above, the total percentages would be 51 percent in CY 1970, 49 percent in CY 1971 and about 47 percent in CY 1972.

Question 10: I understand the AID Budget for Fiscal 1974 includes funds for new prisons, prison staff and training for South Vietnam, as well as more aid to Public Safety programs. In light of the Paris Agreement--which could be read to prohibit aid of this kind--will these funds be dropped?

Answer: We once considered two U.S. direct hire Public Safety Advisors under USAID/Vietnam's Correction Center Project in FY 1974. However, this project will be terminated at the end of FY 1973 and no funds have been requested for any activity in the areas of penology or prisons.

In compliance with the terms of the Peace Agreement, we now plan to terminate Public Safety in-country training and advisory efforts to the National Police. Some U.S.-training and commodity support, on a "one-for-one" basis in keeping with the terms of the treaty, may continue.

Details of these programs will be outlined in our presentation to the Congress of the FY 1974 program.

Question 11: There have been a great many reports in the press to the effect that rather than loosening up somewhat and seeking to broaden his base, President Thien has been clamping down even tighter on the civil liberties of the Vietnamese people against the advice of our own experts. I have two questions on that:

(a) Isn't this inconsistent with the spirit of the Paris Agreement?

Answer: Regarding the agreement itself, its Article II is the pertinent provision. It states that the two South Vietnamese parties will, immediately after

the cease-fire, "achieve national reconciliation and concord . . . [and] ensure the democratic liberties of the people." Two points should be noted about this article; first, it is the two South Vietnamese parties, and them alone, who must make these provisions of the Agreement meaningful; and, second, given the fact that the parties have been engaged in a violent war for over two decades, we cannot reasonably expect to see this done without at least initial difficulties, recrimination and obstacles. Nonetheless, talks are proceeding in a two-party context in both Saigon and Paris. Arrangements have now been made for substantive political consultations between the GVN and the PRG to take place in France between March 5-10. We are hopeful that the South Vietnamese can move, in these private discussions, toward resolution of the issues posed by Article 11 and other difficult problems.

(b) Is there a prospect that we will attach any conditions to our continued aid, to prevent Mr. Thieu from sabotaging the agreement?

Answer: We do not agree that President Thieu is "clamping down" on his people, or that he is "sabotaging" the Agreement. As indicated above, the opening phases of internal negotiations can be expected to be slow and difficult as the two South Vietnamese parties, following years of armed conflict, enter hesitantly and warily into political discussions. Both sides have reasons for entering this new period with caution. (The "political prisoners" issue is a good example of this, involving not only the GVN-held "communist offenders" but as many as 40,000 civilians which the Government of Viet-Nam claims were abducted by the Viet Cong.) We do not see the question as one of "sabotage", but of the two parties' accepting the Agreement and building on it.

We would also note that President Thieu, far from narrowing his political base, is in the process of reaching out, energetically, to diverse parts of the Vietnamese political and religious communities. His new "Popular Front" contains a broad spectrum of elements, including independent and opposition figures. This is the kind of political activity that we foresee taking place as the parties move from military to political confrontation.

Given what we believe to be the relatively encouraging opening weeks of the Agreement and a satisfactory performance by the GVN under the circumstances, we do not foresee the necessity for imposing such conditions on U.S. aid as are mentioned. Furthermore, much of the aid will likely be devoted to unquestionably humanitarian ends, such as refugees, other war victims and veterans.

We believe that it is the intention of all parties to the Agreement to respect its provisions. All our efforts are geared to facilitating that result.

Senator PEARSON. The next witness will be Prof. George Kahin of Cornell University, representing the Friends Committee on National Legislation. Professor, you are at Cornell University.

**STATEMENT OF PROF. GEORGE KAHIN, CORNELL UNIVERSITY,
FRIENDS COMMITTEE ON NATIONAL LEGISLATION**

Mr. KAHIN. Yes, sir.

Senator PEARSON. You speak today for the Friends Committee on National Legislation, and we are pleased to have your testimony.

Mr. KAHIN. Thank you, Mr. Chairman.

My name is George Kahin, and I have been concerned with the area in Southeast Asia for a good many years. During the course of the last year I visited both North and South Vietnam. This was the second occasion with regard to the north.

May I ask, Mr. Chairman, that since I want to abbreviate my testimony that the whole statement be inserted into the record?

Senator PEARSON. Yes, of course, that will be done.

Mr. KAHIN. Thank you.

NEW SITUATION CREATED BY PARIS ACCORDS

In signing the January 27 agreements in Paris we have been party to the creation of a new situation in Indochina and, although the bill

before you, Mr. Chairman, was again introduced after the Vietnam ceasefire was scheduled to begin, it is similar to the original bill requested by the administration last year. In this new situation it seems to me we must look at the old legislation in a new light.

Heretofore, the questions Congress faced had to do with the appropriateness of requests of the administration for funds to maintain Nguyen Van Thieu's political power in the south and to enable him to wage war.

Surely now the question is what effect will this aid and the conditions under which it is granted have in supporting the term of the Paris Accords and in insuring that the United States does not again become involved in military action in Indochina.

DANGER OF POLICY OBJECTIVE OF KEEPING THIEU IN POWER

American assistance programs for South Vietnam in the past have been very much concerned with the priority objective of maintaining Thieu in power, and I see nothing to indicate that this is not still the case. If that indeed continues to be our top priority, I submit that the danger of our reentry into war in Indochina is very great.

The essence of the political provisions of the Paris Agreement are to transfer the competition for power in South Vietnam from one of military struggle to one of peaceful political competition. But that objective is quite incompatible with an American aid program that holds to keeping Thieu in political power as its major objective.

So long as Thieu continues to understand, as he clearly does today, that this continues to be the administration's policy, and so long as he knows that he retains the ability to call upon American air power if a cease-fire does not hold, he cannot be expected to abide by the formula of peaceful competition outlined in the Paris Agreements, particularly those embodied in the provisions of article 11.

Thieu views political competition as a danger because he fears the political attraction that both the neutralists and the NLF can exert among the people of South Vietnam. He and his top generals know that their best prospect for staying in power depends upon sustaining a military struggle supported by the United States.

Thieu has the capacity to provoke a complete breakdown of the cease-fire, either directly by military action or through blocking the central political features of the Paris settlement, and on the basis of the record so far one must expect that he will do his best to provoke such a situation.

U.S. RESPONSIBILITY CONCERNING POLITICAL REQUIREMENTS OF PARIS AGREEMENTS

Without the undergirding of a tolerably viable political settlement, no cease-fire between the Vietnamese parties can possibly endure. Having insisted upon a cease-fire unaccompanied by a genuine political settlement the United States has a particular responsibility to help insure that the political requirements of the Paris Agreement are not ignored, so that a lasting settlement can be secured.

Indeed, it is only the United States that has the leverage to make Thieu respect those requirements. Because the Communists regard

implementation of these political features as in their interest, it is extremely unlikely that they will do anything to sabotage the agreement if there is any chance that these provisions will be carried out. But Thieu has already made it quite evident that he is not disposed to do so and, in fact, he is already in the process of defying and sabotaging some of those elements of central importance. For him to release political prisoners, those thousands still imprisoned who are non-Communist as well as those who are from the NLF, to do that is to threaten his own political position. Whereas the NLF is not afraid of permitting a major political role to third-force element, and they are probably the most numerous group in South Vietnam, Thieu is afraid to have them as political opponents in any such context as is outlined in the January 27 agreements, with their provisions for freedom of speech, assembly, organization, movement, and domicile.

Thus, after the signing of the Paris Agreements Thieu has refused to permit opposition elements the political freedoms that were stipulated. Communist and non-Communist political prisoners remain locked up, and he has ordered the arrest of pro-Communist or neutralist elements if they engage in political activities.

In addition, refugees from Communist-controlled areas are to be restrained forcibly from moving to non-Communist areas and refugees from Thieu's areas are constrained from returning to their homes if they are in Communist-controlled areas.

Perhaps I think of as much immediate importance to Congress are the restrictions that Thieu has placed on members of the American press who endeavor to report on these matters in Saigon-controlled areas, or who attempt to learn what is going on in NLF-controlled districts. Congress has surely learned that it cannot depend on U.S. officials stationed in Vietnam to tell it what is actually going on there. It must rely heavily upon the American press corps. But when Thieu's officials can with impunity refuse our correspondents permission to travel and go so far as to threaten them with being shot if they try to talk with even NLF and Hanoi truce teams, it is evident that Congress runs the risk of operating blind.

If the essential political features of the agreement are not carried out—in other words, if this conflict, in fact cannot be transferred to the level of political competition—then the Communists will probably return to the battlefield, an outcome that Thieu, with his expectations of continuing American military support, would surely welcome.

Disabusing Thieu of that assumption is one means by which the United States can induce him to adhere to the political features of the agreement his government has signed. For he is, of course, critically dependent upon the still lavish military assistance and economic support that the Nixon administration is continuing to make available to him, some of which is in the bill before you today. A regime whose military forces are still heavily dependent upon American advisers and technicians and which could not pay the salaries of its army, police, or its civil servants without the funds still being provided and sanctioned by Congress can certainly be influenced by the sanctions which this Congress can apply.

WHAT CONGRESS CAN DO

Whether Congress continues to supply any or all of the \$3.2 billion total military and economic assistance scheduled for fiscal 1973.

whether or not it does, it will be intervening in the politics of South Vietnam, and that despite article 4 of the Paris agreements that we have just signed pledging us not to intervene in the internal affairs of South Vietnam.

Congress' acquiescence to a continuation of this support with no more conditions than at present obtain would constitute not only a massive endorsement of Thieu and his rule but would encourage him to continue to violate the political as well as the military features of the January 27 agreement.

If Congress is not equipped to monitor the administration's seasoned bureaucracy in insuring that the flow of American aid remains contingent upon Thieu's respecting the political provisions of that agreement, then another course--and a much easier one--is available. Congress can insist that at least the major part of our financial support flows through an international channel, whether it is a body set up by the forthcoming international conference on Indochina or agencies of the United Nations, and certainly we must not be misled by verbiage, by dressing up with the rubric of "postwar reconstruction assistance," a continuation of the existing pattern of aid calculated to maintain Thieu in power.

If it is peace that we want in Vietnam and the assurance that our aid benefits a majority of its population rather than Thieu and his entourage, then we should not deceive ourselves by channeling it through AID and a bureaucracy wed to dominantly political objectives.

Moreover, as a condition for its continuing supply of economic support, however this may be channeled, Congress can require concrete evidence that the Saigon government is releasing political prisoners, ending restrictions of political rights and of the movement of refugees back to their homes. Certainly, it can insist that American newspapermen be given freedom to move and report, for if they are denied this--as is now manifestly the case--Congress will be unable to gage whether these requirements are being met, and will be almost completely dependent upon the executive bureaucracy to tell it what is happening.

CONGRESS SHOULD EXERCISE ITS POWER OF PREEMPTIVE INITIATIVE

This Congress has another means of inducing Thieu to live up to the terms of the January 27 agreement. This leverage resides in a preemptive initiative to deny funds for any reentry of American air or other military power in Indochina.

Legislation such as has been cosponsored by Senators Church and Case, would have some real prospect of limiting the President's power to bring American forces again into battle in Indochina; and, of paramount importance, it would disabuse Thieu of his assumption, and this is of paramount importance, it would disabuse Thieu of his assumption, his comfortable assumption, that the United States can be counted upon to come to his rescue with the might of our air power if the cease-fire collapses. The advance provision that no American Government funds can be used to finance the reinvolverment of U.S. military forces in hostilities in or over any place "without prior, specific authorization by Congress" would notify him of the futility of falsely alleging or actually provoking a cease-fire breakdown. For under this provision Congress would have the opportunity of evaluat-

ing the situation and deciding whether events justified what would, in effect, be a new war. The Church-Case proposal opens an avenue for Congress to exercise powers vested in it by the Constitution in a way that in the context of contemporary circumstances is realistic.

In effect, it provides for Congress declaring a particular part of the world off-limits to any American military intervention until it should agree that action is warranted. While this sort of preemptive initiative would clearly not be sensible vis-a-vis a country that can pose a direct and immediate threat to the United States, such as a nuclear power, it makes eminent sense in regions which do not have the military means to threaten the security of this country—such as Indochina. It is particularly incumbent upon Congress to exercise this initiative with respect to an area where the President has demonstrated a consistent unwillingness to consult and work with it.

By insuring against any American reinvolvement in the Indochina war without explicit congressional sanction, addition of the Church-Case proposal to the pending legislation would make an essential contribution toward restraining Thieu from sabotaging the presently precarious Vietnamese armistice.

Thank you, Mr. Chairman.

(Professor Kahin's prepared statement follows:)

TESTIMONY OF GEORGE McTURNAN KAHIN ON BEHALF OF FRIENDS COMMITTEE ON NATIONAL LEGISLATION

My name is George Kahin. I am professor of government and international relations at Cornell University, and was director of the Cornell Southeast Asia Program 1960 to 1970. I have engaged in research in Southeast Asia since 1948 and have visited Indochina on numerous occasions. In the course of the last year I returned to both North and South Vietnam, talking with a wide range of political leaders. Today I am speaking on behalf of the Friends Committee which is widely representative of Friends' groups around the nation, but does not purport to speak for all Friends who cherish their rights to individual opinions.

The Foreign Assistance bill before you allocates U.S. military and related aid to a great number of nations. I will be confining my comments primarily to Indochina and specifically to aid in South Vietnam, for which the Administration is requesting some \$585 million in security supporting assistance in this bill.

PARIS ACCORDS CREATE NEW SITUATION

The signing of the January 27 agreements in Paris has created a new situation in Indochina in which the fighting is lessening and hopefully will come to a complete halt. The bill before you was introduced February 8, after the Vietnam cease-fire was scheduled to begin, but is similar to the bill requested by the Administration last year. In this new situation, it seems to me we must look at the legislation in a new light.

Heretofore the questions Congress faced had to do with the appropriateness of requests by the Administration for funds to maintain President Nguyen Van Thieu's political power in the South and the level of assistance to enable him to wage war.

Now the question is: what effect will this aid, and the conditions under which it is granted, have in supporting the terms of the Paris accords and in assuring that the United States does not again become involved in military action in Indochina.

U.S. POLICY STILL LINKED TO THIEU

U.S. assistance programs for South Vietnam in the past have been very much concerned with the priority objective of maintaining Thieu in power, and I see nothing to indicate that that is not still the case. If that is indeed still our top priority, the danger of our reentry into war in Indochina is very great.

The political priority of the Paris agreement is to transfer the competition for power in South Vietnam from one of military struggle to peaceful competition.

That objective is quite incompatible with an American aid program that holds to keeping Thieu in political power as its major objective.

So long as Thieu continues to understand, as he clearly does today, that this continues to be Administration policy, and so long as he knows that he retains the ability to call upon American air power if a cease-fire does not hold, he cannot be expected to abide by the formula of peaceful competition outlined in the Paris agreements, especially the important provisions of Article 11.¹

Thieu views peaceful political competition as a danger because he fears the political attraction that both the neutralists and the NLF can exert among the people of South Vietnam. He and his top generals know that their best prospects for staying in power depend upon sustaining a military struggle supported by the United States.

Thieu has the capacity to provoke a complete breakdown of the cease-fire either directly by military action or through blocking the central political features of the settlement. On the basis of the record so far, one must expect that he will do his utmost to provoke such a situation.

NEED TO ENCOURAGE CONDITIONS FOR PEACEFUL POLITICAL COMPETITION

Without the undergirding of a tolerably viable political settlement, no cease-fire between the Vietnamese parties can possibly endure. Having insisted upon a cease-fire unaccompanied by any genuine political settlement, the United States has a particular responsibility to help ensure that the political requirements of the Paris Agreement are not ignored so that a lasting settlement can be attained. Indeed, only the United States has the leverage to make Thieu respect those requirements.

Because the communists regard implementation of these political features as in their interests, it is extremely unlikely that they will do anything to sabotage the agreement if there is a chance they will be carried out. But Thieu has already made it quite evident that he is not disposed to do so; and in fact he is already in the process of defying and sabotaging some of those of central importance. For him to release political prisoners—those thousands still in prison who are non-communist as well as those who are from the NLF—is to threaten his own political position.

Whereas the NLF is not afraid of working together with third-force elements—probably the most numerous group in South Vietnam^{2a}—Thieu is afraid to have them as political opponents in any context such as that outlined in the January 27 agreement, with its provisions for freedom of speech, assembly, organization, movement and domicile.

THIEU'S CURRENT ACTIONS

Thus, after the signing of that agreement Thieu has not only sent his air force against known PRG areas where no ground fighting is taking place,² but in government-controlled areas he has refused to permit opposition elements the political freedoms stipulated in the agreement. Communist and non-communist political prisoners remain locked up, and he has ordered the arrest of "pro-communist or neutralist elements" if they engage in political activities, and their assassination on the spot for "incitement of pro-communist demonstrations"; and, in addition, refugees from communist-controlled areas to be restrained "forcibly if necessary" from returning to their homes.³

¹ Article 11 of the Agreement states in part: "Immediately after the cease-fire the two South Vietnamese parties will . . . prohibit all acts of reprisal and discrimination against individuals or organizations that have collaborated with one side or the other; ensure the democratic liberties of the people; personal freedom, freedom of speech, freedom of the press; freedom of meeting, freedom of organization, freedom of political activities, freedom of belief, freedom of movement, freedom of residence, freedom of work, right to property ownership, and right to free enterprise.

^{2a} It is this group—aligned with neither the NLF nor Thieu—that is the major victim of the Paris Agreement; the United States has not imposed a coalition government (wherein this group might have played a major role) but it has—as it has done in previous years—disposed a political polarization wherein those in the middle of the political spectrum are denied any real political role.

² See, for instance, *Newsweek*, Feb. 19, 1973; *Gannett News Service*, Feb. 15, 1973; *CBS Evening News*, Feb. 6, 7, 1973; *Washington Post*, Feb. 8, 1973; *A.F.P.*, Jan. 28, 1973; *Chicago Tribune*, Feb. 12, 1973.

³ See, for instance, *Washington Post*, January 23, 1973; *Washington Star-News*, January 26, 1973; and *New York Times*, Jan. 30, 1973. See, in particular, President Thieu's televised announcement forbidding freedom of movement (Saigon: Domestic Television Service, January 28, 1973).

PRESS RESTRICTIONS

Perhaps of as much immediate importance to Congress are the restrictions which Thieu has placed on members of the American press who endeavor to report on these matters in Saigon-controlled areas, or who attempt to learn what is going on in NLF-controlled districts.⁴ Congress has surely learned that it cannot depend on U.S. officials stationed in Vietnam to tell it what is actually going on there. It must rely heavily upon the American press corps. But when Thieu's officials can with impunity refuse our correspondents permission to travel and go so far as to threaten them with being shot if they try to talk with even NLF and Hanoi truce teams, it is evident that Congress runs the risk of operating blind.

THIEU DEPENDENCE ON U.S.

If the essential political features of the agreement are not carried out—if the conflict cannot in fact be transferred to the level of political competition—then the communists will probably return to the battlefield—an outcome Thieu with his expectation of continuing American military support would surely welcome. Disabusing Thieu of that assumption is one means by which the United States can induce him to adhere to the political features of the agreement his government has signed. For he is, of course, critically dependent upon the still lavish military assistance and economic support that the Nixon administration is continuing to make available to him, some of which is in the bill before you today. A regime whose military forces are still heavily dependent upon American advisers and technicians and which could not pay the salaries of its army, police or its civil servants without the funds still being provided and sanctioned by Congress can certainly be influenced by the sanctions which this Congress can apply.

ROLE OF CONGRESS

Whether Congress continues to supply any or all of the \$3.2 billion total military and economic assistance scheduled for fiscal 1973, it will be intervening in the politics of South Vietnam. Congress' acquiescence to a continuation of this support with no more conditions than at present obtain would constitute not only a massive endorsement of Thieu and his rule but would encourage him to continue to violate the political as well as the military features of the January 27 agreement.

If Congress is not equipped to monitor the Administration's seasoned bureaucracy in ensuring that the flow of American aid remains contingent upon Thieu's respecting the political provisions of that agreement, then another course—and a much easier one—is available. It can insist that at least the major part of our financial support flows through an international channel—whether a body set up by the forthcoming international conference on Indochina or agencies of the United Nations. And we must not be misled by verbiage—by dressing up with the rubric of "post-war reconstruction assistance" a continuation of the existing pattern of aid calculated to maintain Thieu in power. If it is peace we want in Vietnam and the assurance that our aid benefits a majority of its population rather than Thieu and his entourage, then we should not deceive ourselves by channeling it through AID and a bureaucracy wed to dominantly political objectives.

Moreover, as a condition for its continuing supply of economic support, however this may be channeled, Congress can require concrete evidences that the Saigon government is releasing political prisoners, ending restrictions of political rights and of the movement of refugees back to their homes. Certainly, it can insist that American newspapermen be given freedom to move and report, for if they are denied this—as is now manifestly the case—Congress will be unable to gauge whether these requirements are being met, and will be almost completely dependent upon the executive bureaucracy to tell it what is happening.

CONGRESS SHOULD EXERCISE ITS POWER OF PRE-EMPTIVE INITIATIVE

This Congress has another means of inducing Thieu to live up to the terms of the January 27 agreement. This leverage resides in a pre-emptive initiative

⁴ *New York Times*, January 29, Feb. 1, 6, 9, 18, 19, 1973; *Washington Post*, January 29, 1973.

to deny funds for any re-entry of American air or other military power in Indochina.

Legislation such as S. 578 cosponsored by Senators Church and Case would have some real prospect of limiting the President's power to bring American forces again into battle in Indochina; and, of paramount importance, it would disabuse Thieu of his assumption that the United States can be counted upon to come to his rescue with the might of our air power if the cease-fire collapses. The advance provision that no American government funds can be used to finance the re-involvement of United States' military forces in hostilities in or over any place "without prior, specific authorization by Congress" would notify him of the futility of falsely alleging or actually provoking a cease-fire breakdown. For under this provision Congress would have the opportunity of evaluating the situation and deciding whether events justified what would in effect be a new war. The Church-Case proposal opens an avenue for Congress to exercise powers vested in it by the Constitution in a way that in the context of contemporary circumstances is realistic.⁵

In effect, it provides for Congress declaring a particular part of the world off-limits to any American military intervention until it should agree that such action is warranted. While this sort of pre-emptive initiative would clearly not be sensible vis-a-vis a country that can pose a direct and immediate threat to the United States, such as a nuclear power, it makes eminent sense in regions which do not have the military means to threaten the security of this country—such as Indochina. It is particularly incumbent upon Congress to exercise this initiative with respect to an area where the President has demonstrated a consistent unwillingness to consult and work with it.

By ensuring against any American re-involvement in the Indochina war without explicit Congressional sanction, addition of the Church-Case proposal to the pending legislation would make an essential contribution towards restraining Thieu from sabotaging the presently precarious Vietnamese armistice.

Senator PEARSON. Thank you, Professor, you make an important contribution to our record. I think some of the views you expressed, particularly with relation to the role of Congress, are being reflected in the attitude and actions of many Members of the Senate. I thank you very much, sir.

Mr. Donald Luce is the next witness. Mr. Luce is the director of the Indochina mobile educational project with offices here in Washington, D.C.

Mr. LUCE. Thank you.

Senator PEARSON. Do you have a statement?

**STATEMENT OF DON LUCE, DIRECTOR, INDOCHINA MOBILE
EDUCATION PROJECT, WASHINGTON, D.C.**

Mr. LUCE. Yes, I do and I would like to request it be submitted at the same time.

Senator PEARSON. Do you have a prepared text?

Mr. LUCE. Yes.

Senator PEARSON. We will make it a part of the record and we would appreciate it if you would summarize it at this time.

Mr. LUCE. My name is Don Luce, and my involvement in Vietnam began in 1958 as an agriculturist for International Voluntary Services, and then in 1961 I became the Vietnam Director for International Voluntary Services. In 1967 resigned and in 1968 went back to Vietnam as a journalist. In 1969 I started to work with the World Council

⁵ Since Congress has power to commit the United States to war against a particular country, it has, of course, an equivalent power to keep the United States out of war against that country, and it clearly follows from this that it can take pre-emptive action to ensure that this responsibility is indeed exercised.

of Churches as a research associate, studying the question of postwar reconstruction in Vietnam.

I would like to go to the very last part of my statement where I have made five recommendations and to speak about those five recommendations one at a time and, perhaps, if you have questions on any of the five you may interrupt.

Senator PEARSON. Your entire statement will be made a part of the record.

Mr. LUCE. Right.

WITHHOLDING AID UNTIL RELEASE OF POLITICAL PRISONERS

Mr. LUCE. The first point that I make is that I believe that the United States should withhold all aid from South Vietnam until all political prisoners have been released, and all refugees are allowed to return to their home villages.

There are more than 200,000 political prisoners in South Vietnam. These include people from the runnerup in the 1967 elections and the Vietnamese Congressmen who got the most votes in those elections. The majority of those are people who were caught in the free strike zones going out harvesting rice and so forth. These people are still in jail and there is very little indication to me they will be released. I think continuing aid to the Saigon government while these people are still in jail will have two disastrous effects. One is that it will mean that those people most able to bring about reconciliation, the religious leaders, teachers and writers are going to be kept in jail because these are primarily those people who took neither side, in other words, the non-Communist opposition to the Saigon government. The second thing which I am concerned about is that, in terms of our prestige as Americans, if we continue to pay for mistreatment of individuals, then I think that hurts the prestige of the United States, not only with regard to Vietnamese but with regard to people all over the world.

WITHHOLDING AID UNTIL REFUGEES ARE ALLOWED TO RETURN

The second point, in point 1, is that I think we should withhold all aid until the refugees and the people who have been forced into the city slums are allowed to return to their farms. Right now the effect of American aid is to keep those people in the city slums. This will make it impossible for South Vietnam to develop a viable economy. It will mean that South Vietnam will have to stay on American taxpayers' money for many, many years to come. So I think providing the Saigon government with the means, the money and the food and all of this, to keep those people in the city slums is going to mean a commitment to Vietnam for many, many years to come.

TERMINATION OF PUBLIC SAFETY PROGRAM FUNDS

The second point is that I believe we should terminate all funds provided under the public safety program. For example, one of the things called for in the public safety program is to increase the number of dossiers on people in South Vietnam from 3.1 million to 11.5 million by 1975. This means that two-thirds of the people in South

Vietnam would have dossiers maintained on them by a public safety force paid for by the United States. I do not think that it is in the best interests of the United States to pay the money to maintain dossiers on two people out of three in South Vietnam.

I was the person who took Congressman Anderson, Congressman William Anderson, and Congressman Augustus Hawkins, to the tiger cages in 1970. I was kicked out of South Vietnam for doing that. I think it is very important to point out that after the tiger cage incident, first the Saigon Government said they were going to do away with the tiger cages but then 3 months later they ordered the South Vietnamese political prisoners to build new tiger cages as a self-help project. The prisoners refused, and were put back into shackles. And then in January 1971 the U.S. Government gave a \$400,000 contract to Raymond, Morrison, Knudsen-Brown, Root & Jones, to build 384 what are called in the contract, which I have a copy of if the committee would like that, to build these 384 new isolation cells which are 2 square feet smaller than the former tiger cages. So American tax money has been used to build these new, what the Vietnamese still call, tiger cages.

This is a description of them by a French political prisoner who is in the South Vietnamese prisons. He said, "These cages are even smaller, completely dark, and even stuffier than the earlier ones."

So in terms of our aid to public safety we have been building new tiger cages.

REQUIREMENT OF NO INTELLIGENCE AGENTS IN ECONOMIC AID PROGRAM

Third, I think that the U.S. Senate should require that the U.S. Government use no intelligence agents in the economic aid program in Indochina. I think that the effect of having intelligence agents within the economic aid program has made the Vietnamese distrust all Americans in Vietnam because they have no way of knowing which ones are the CIA agents, and so on.

I was director of a voluntary agency, International Voluntary Services, which had up to 170 volunteers. One of the biggest problems that we had in terms of relationships with the Vietnamese was that the Vietnamese never knew whether the CIA tried to infiltrate our own organization, and I know that talking with the directors of all of the other different organizations in Vietnam, this was equally true with them, that the Vietnamese have no way of knowing which ones are the intelligence agents and, therefore, not only in Vietnam but in other countries all over the world, the people of other countries have developed a distrust for Americans because they are not quite sure which ones are the spies.

U.S. AID SHOULD BE PROVIDED THROUGH INTERNATIONAL CHANNELS

The fourth point is that the United States should provide all aid to Indochina through international auspices, through international channels. If our aid originally had gone through international channels, I think it would have been much easier for the United States to see what was happening. We would not have been tied by vested interests to continue in the war; so I would recommend that all of our aid go through either United Nations channels or a consortium of nations.

Senator PEARSON. That is an interesting comment. I do not disagree, but I think the argument traditionally is made to the contrary that when you use international agencies it is much more difficult to trace the disposition and the use of funds. I think that view of using multilateral or international agencies is a prevailing one with many Senators today. I just raise the point that the argument has been made repeatedly that the use of international agencies clouds disposition and use of the funds contrary to what you just said.

Mr. LUCE. Well, the reason for my proposal, on using international funds, there are many things—

Senator PEARSON. I agree. I think that is the right approach, but I was raising the question about the tracing of the disposition and use of funds. I do not know whether it is going to be easier or not, but I do not know whether it is that important. If you can disassociate the United States from the bilateral and direct aid program, I think it is much more beneficial, not only in Southeast Asia but in other parts of foreign aid.

Mr. LUCE. Yes, I believe most of these recommendations pertain just as much to Mali as they do to Vietnam.

Senator PEARSON. Yes.

REASSERTION OF CONGRESS' CONSTITUTIONAL PREROGATIVE

Mr. LUCE. And finally, I would like to stress again the point that Professor Kahin made and that is to reassert the constitutional prerogatives of Congress in the implementation of foreign policy, and the first order of business in this regard is to adopt resolutions requiring congressional approval before any American forces can be re-committed to Indochina.

POSSIBILITY OF PROGRESSING BACK TO 1954

Just a final comment. We got involved in Vietnam by giving economic aid and by sending advisers, and this led to the ships and the planes and the bombs, and the tremendous cost to our Nation and to the Vietnamese. I think that if we are not careful we will find that we have progressed right back to 1954 because we are continuing to provide the aid to the public safety, we are continuing to provide the money that keeps the political prisoners in the jails, and I am really concerned that if we are not careful there will be no peace for the Vietnamese and no peace for Americans; this continued American involvement in such things as the public safety program, and trying to support a dictatorship that the South Vietnamese people hate, this is just going to get us into more trouble.

(Mr. Luce's prepared statement follows:)

TESTIMONY OF DON LUCE, BEFORE THE SENATE FOREIGN RELATIONS COMMITTEE,
FEBRUARY 22, 1973

I wish to thank you for providing me this opportunity to comment on the 1974 foreign aid bill. I have viewed U.S. foreign assistance in Viet Nam from several perspectives: from 1958 to 1960 as an agricultural volunteer for International Voluntary Services (IVS) working on sweet potato production; from 1961 to 1967 as Viet Nam Director of IVS; in 1968, as a journalist; and from 1969 to 1971, as research associate for the World Council of Churches researching

post-war reconstruction questions. Since 1971 I have been Director of the Indochina Mobile Education Project.

I welcome the reduction in the level of violence and the return of imprisoned military personnel brought about by the cease-fire agreement. But the basic questions which initially gave rise to the conflict in Viet Nam have been left unresolved.

There remains the constant danger of the reintroduction of massive American firepower. The continued participation of thousands of Americans and the magnitude of present military and civilian aid programs indicate that the U.S. retains a major interest in the outcome of the political struggle in south Viet Nam.

Vast economic aid programs and civilian advisors characterized our commitments in the mid-1950's—soon followed by uniformed men, ships and planes. The political conditions which led to U.S. intervention in Viet Nam remain.

Most American aid in Viet Nam has been used to support the Thieu government rather than to bring humanitarian assistance to the Vietnamese people. With the political struggle continuing and American support of the Thieu government unchanged, U.S. aid to Thieu remains a dominant aspect of the Vietnamese conflict. Rather than being humanitarian, the effect of the aid has been to increase repression, widen the gap between the rich and poor, and prevent reconciliation and accommodation among the Vietnamese.

The introduction to the FY 1973 Congressional Presentation for the Security Assistance Program states:

Supporting Assistance funds normally contribute to some degree to the economic growth or to the developmental goals of the recipient country, but the current U.S. motive in programing these funds is neither economic growth nor development *per se*; rather, the specific purpose is to stabilize the economic or political situation vis-a-vis a given security situation.

The effects of placing primary emphasis on security through economic, military and para-military programs are most obvious in the response of the Saigon government to the problems of the people of south Viet Nam.

A majority of the six million people forced to leave their homes in south Viet Nam since 1965 remain refugees. Driven from their ancestral villages to the squalor of the city slums or the numbing monotony of refugee camps, these people have suffered the gamut of misfortune. Family structure has fallen apart, health has failed, economic necessity has forced individuals into servile or criminal relationships with foreigners. The obvious way to begin to eliminate all these problems and to get these people off the refugee roles and back into a healthy and productive environment is to allow them to return to their home villages. Yet this is not happening.

Fearful that a massive return to the countryside will create political instability, President Thieu has forbidden such movement. Decree-Laws issued in December 1972 make it unlawful to "leave those areas controlled by the government in order to go into the communist-controlled zones or vice versa." Offenders can be shot. Thus, the U.S. finds itself funding programs to maintain millions of people as refugees rather than to rehabilitate their lives and communities.

More than 200,000 Vietnamese are imprisoned in the Saigon government's jails on the basis of their political beliefs. Many have been held for years without trial. After the October 26 "peace is at hand" speech by Dr. Henry Kissinger, Hoang Duc Nha, special assistant to President Thieu announced to a group of Vietnamese publishers that 40,000 Vietnamese "communist sympathizers" had been arrested in a two-week period. But the tragedy of these political prisoners extends beyond the individual misfortune of confinement, torture, death and disease. Their imprisonment also severely limits the possibilities for an early resolution of the political conflict in Viet Nam. Many of those now in jail represent the middle of the political spectrum—those most anxious and able to effect a reconciliation of the warring parties. But the Thieu government considers Buddhist monks, Catholic priests, intellectuals, farmers, and pacifists who favor an end to the war as threats to its survival. Prison is the fate of those who work for peace.

While Article 8 of the cease-fire agreements suggests a program leading the release of all political prisoners, political controls in south Viet Nam have in fact become even tighter since the signing of the agreement.

The following Decree-Laws, published in January 1973, indicate the extent of political repression:

All police and military forces are permitted to shoot to kill all those who urge the people to demonstrate, and those who cause disorders or incite other persons to follow communism. . . .

Shot instantly any soldiers, government officials, or police who desert or incite other persons to desert the army.

Detain those persons who are neutralist and those persons who publicly side with the communists, and who are active politically. They will be taken before a military court as soon as possible.

Implement quickly and thoroughly rules and regulations concerning reporters and political parties in order to stop illegal activities on the part of politicians. . . .

Americans might dismiss the totalitarian atmosphere in south Viet Nam as unfortunate but as none of our business except that the south Vietnamese soldiers and police who enforce these laws have been trained and supported with U.S. dollars, the interrogation centers where suspects are questioned were built with American tax payers' money and the jails where the prisoners are held were equipped and enlarged with American aid. U.S. support and expansion of the Saigon police and prison systems is scheduled to continue under current and projected proposals.

The primary goal of the Saigon government is self-preservation even at the expense of the freedom of the south Vietnamese people. Unless Congress takes the initiative and terminates the military and para-military assistance programs, American aid to south Viet Nam will continue to mean security for the Thieu government and tyranny for its citizens.

In conclusion, I recommend that the following provision be adopted regarding foreign aid to Indochina:

1. Withhold all aid to south Viet Nam until all political prisoners have been released and all refugees are allowed to return to their home villages.

2. Terminate all funds provided under the Public Safety Program. As the Senate Appropriations Committee noted last year when it recommended the elimination of the entire Public Safety Program:

The Committee has grave doubts about the wisdom of funding any program which tends to bring disrepute to our more vital development and humanitarian goals. It matters little if charges against the Public Safety Program are completely true because the *belief* (sic) that they are untold damage to our humanitarian efforts. * * *

We believe that it is in the best interests of our total assistance program to eliminate it. . . .

3. Require that the U.S. Government use *no* intelligence agents in the economic aid programs in Indochina. The use of intelligence agents acting as aid advisors has weakened U.S. prestige abroad and caused people in all countries to distrust Americans because they don't know which ones are connected with the C.I.A.

4. Give all aid to Indochina through international channels.

5. Reassert the constitutional prerogatives of Congress in the implementation of foreign policy. The first order of business in this regard is to adopt resolutions requiring Congressional approval before any American forces can be re-committed to Indochina. The past decade illustrates that this is a prudent and necessary action.

Senator PEARSON. Thank you, Mr. Luce. That is very helpful. Your entire statement will be a part of the record and we appreciate your contribution.

(Whereupon, at 1:10 p.m., the hearing was adjourned, subject to call of the Chair.)

HEAD COUNT OF CAMBODIAN TROOPS

(Supplied by Department of Defense in response to Senator Symington's question on p. 51.)

A head count of all Cambodian troops was never made. However, a limited number of head counts at the unit level were used by the U.S. to ascertain if there were deficiencies in the Cambodian manpower, personnel and finance sys-

tem. These head counts were only "spot checks." As soon as they confirmed the deficiencies, they were stopped, for they had served their purpose well.

Once the problem of "phantom troops" was confirmed, a modern system of accounting was instituted to replace the antiquated method used in the past by the Cambodians which led to the problem. CINCPAC and our Cambodian Military Equipment Delivery Team are monitoring the new system, which commenced in September 1972. Your reference to the "cameras" was accurate. They are being used as a part of the new system to insure proper personnel accounting and valid payment of payroll. The new system is undergoing a partial test at this moment, and we will have some evidence of its effectiveness shortly. However, country-wide application of the new system would require at least another six months.

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